

Relational paths in business network dynamics: evidence from the fashion industry*

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Abstract

This paper deals with business network dynamics. The main aim of the paper is to shed light on potential relational paths in the reconfiguration of the firms' business network. To this aim two main emerging paths are proposed: integration and substitution. Empirically, the paper presents the data collected during a ten-year longitudinal case study research of four Italian textile producers. The various implications for business networks stemming from the two relational paths are described and discussed.

Keywords: Business networks; Co-evolution; Fashion; Interaction; Change

1. Introduction

This paper analyses business networks dynamics, focusing in particular on the reorganization of the set of relationships of the firm and its attempt to maintain and sustain a stable growth or to achieve survival.

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From the theoretical point of view, the paper proposes a framework of analysis which emphasizes interaction as a means to act in the firm's business network. In the market as network approach, proposed by IMP Group scholars, interaction among actors, mainly, although not exclusively, customers and suppliers, is seen as crucial in obtaining information to be used by the firm but it is also seen as a resource to lever in order to obtain competitive advantage. In this context, interaction becomes a means to reorganize the business network and the reconfiguration of the network can be of particular importance in terms of survival. The firm evolves and change its business network, interacting with other actors. As it is stressed that there is no such a thing as a new network, in recent IMP Group contributions on business interaction models, the concept of "co-evolution" has been developed to point out the relevance for the firm of working together with two or more business companies in the network in order to evolve. Co-evolution has been considered as a process, which is multi-dimensional, that occurs among actors relating their problems, resources and activities with those of others. As a result of co-evolution, firms interacting with each others change (Ford et al 2008).

In this context, the reconfiguration of the network relationships of the firm is analyzed in the paper on the basis of a research process. The empirical analysis considers the cases of the textile producers in the Prato District in Italy, which have experimented some tensions in the relationships with their customers and with other traditional business and non business actors. The textile industry in Italy has suffered of the increased competition by producers from emerging countries, which have been considered as valuable alternatives for the traditional customers. This topic is evident in the so-called "global shift of production" which has characterized the fashion industry during the last decades (Taplin and Winterton 1997; Jones 2002). Along with the increasing competitiveness of firms localized in low cost factors countries, which has generated new supply markets for traditional customers, one may note the increasing role within the pipeline of actors which integrate industrial and commercial competences, which has lead to a change in the characteristics of the customer. This kind of competition has lead to the closure of many textile firms, to the downsizing of others, while some textile producers, in order to maintain their competitive skills, have changed their way of doing business.

The paper presents evidence emerging from a longitudinal multiple case studies. In particular, the analysis regards four firms operating in the textile production in Italy which have been deeply analyzed over the last ten years. The firms have been selected either considering their role within the Prato district (which is still the biggest industrial district in Italy) and/or for their ability in reorganizing by means of interactions. In these cases, the reconfiguring of the business network has been seen as a strategic response to obtain survival in facing with the global competitive landscape.

2. A brief review of business network dynamics

Business networks are such a thing that constantly change and are dynamic in nature. The dynamism of the business network emerged as evident in the seminal work of Hakansson and Snehota (1989), where the two authors pointed out that a business is not an island and that no confined boundaries can be defined between the company and its environment.

Following this reasoning, and in order to stress the interconnectedness among companies three main paradoxes have been proposed within the IMP Group academic debate (Hakansson and Ford, 2002; Ford and Redwood, 2005). The first is related to the fact that a company's relationships are at the same time a basis and a burden for a firm's development. They are either enablers or barriers to a firm's ability to change and innovate. The second paradox, considers the fact that a company's relationships are the result of the firm's decision and actions, but, at the same time the company itself depends from its relationships and how they evolve. The third paradox, that has been pointed out, stresses the fact that the level of effectiveness and innovativeness of the firm's network is inversely proportional to the degree of the firm's control on the network.

As a consequence of these paradoxes, network changes have been looked in a huge number of IMP scholars' contributions as the result of changes that occur within the interconnection among companies. In particular, three main dimensions of changes have been studied: resource ties (Håkansson and Waluszewski 2002), activity links (Fredriksson and Gadde 2005; Gadde 2004; Gadde and Håkansson 2001) and actor bonds (Håkansson and Snehota 1995).

Looking specifically to network dynamics, some authors have argued, another paradox, which is related to the coexistence of stability and change in business network (Hakansson and Snehota, 1995; Sutton-Brady, 2008). According to Freytag and Ritter "stability and change co-exist and must do so. More stability in one part of a network will increase change in a different part, and vice versa.....On one hand, relationships are built to decrease uncertainty and increase stability. On the other hand, relationships are the source of change" (Freytag e Ritter, 2005, p. 646) Accordingly from these considerations, the attention of scholars has been directed to analyze how network dynamism could be studied and which kinds of network changes could be identified.

Considering the approaches to use in order to describe and explore network dynamics, according to Anderson et al (1998), changes within a network should be studied adopting simultaneously two perspectives: a stability dimension, focusing for example on which actors' positions disappear and which new ones appear; a change-process dimension, looking for instance on the actors' planned and created behaviour. Specifically, in the authors' view, the position of every actor, determined by "expectations and taken on activities" and their role as "made up activities and intention", can play

a significant part in changing the network structure and understanding dynamism. Other contributions have suggested the relevance of the time concept and the adoption of a process approach to describe network dynamics (Halinen and Tornroos, 1995; Medlin 2004), while in other the role of embeddedness has been suggested as fruitful to explain the changes that occur in business networks (Halinen and Tornroos, 1998). A renovate attention to understand business network changes, within the IMP community, has been given to the role of interaction. Considering the specific dynamic nature of a business network the question “how a company should interact?” remains central (Håkansson and Ford, 2002). In particular, interaction has been associated to some issues that may help provide a key to understanding it, amongst which “relativity” (Håkansson and Ford, 2006) plays a relevant part. According to Ford and Håkansson (2006), relativity refers to the fact that “...interaction creates a relative and dynamic structure over time.... every actor in a network has a specific position... In the short term these positions provide the multiple and relative contexts for interaction. In the long term, continuing interactions successively change these positions and this structure” (page 13). As Ford et al (2008) point out “interaction can be interpreted as a confrontation process that occurs between companies and which changes and transforms aspects of the resources and activities of the involved companies and of the companies themselves” (page 3). Although, the study of network dynamics and change have attracted increasing attention from IMP scholars, “dynamic interaction between single actors and how this relates to the development of the total structure of a network is not a theme that has been focused in many areas of research” (Ford and Håkansson 2006, page 13).

Considering *possible taxonomies of network changes*, Halinen et al (1999) made an interesting contribution to the dynamics of business networks. The authors indentify two main circles of network change. In particular, they distinguish between incremental and radical change, defined respectively as changes that occur in the nature and content of single relationships (incremental change) and changes that imply the closure of relationships or the beginning of others (radical change). In the theoretical framework of Halinen et al (1999), critical events, whether arising from the dyad or from the business environment along with inertia, are assumed to be the factors behind changes in or the stability of the network. In a previous study Håkansson and Henders (1995) discussed evolution and revolution in business networks, pointing out the main forces and processes underlying that kind of network dynamics. Some research findings (Kamp, 2005) suggest that change is mainly incremental with radical change being rare. As Easton et al (1997) earlier argued, considering network dynamics, evolution is the main mode, while revolution, even if it is possible, is rather unusual. In general, the main stream of conceptual network theory argues that most business to business relationships tend to show a striking continuity, although that is not ever the

case. Abrahamsen et al (2007), propose an interesting contribution focusing on the role of actor's perceptions on change. The model suggests that change can be analyzed in terms of its intensity (radical vs. incremental) and its level (actor, dyad or network level). Change at one level may transmit to another level, and vice versa.

Taking into account strategies potentially implemented by the company, Blois (2008) proposed a revised version of the Hirschman approach on potential possibilities of the actor in relational paths. According to Hirschman (1970), a customer can implement three potential patterns to suppliers: the exit, which is a strategy where the customer stops the relationship with a supplier, shifting to another; the voice, which is a strategy where the customer aims at acting at all the change rather to escape from ; the loyalty, which is a strategy where the customer continues to buy from the same supplier from a long time. Starting from the "exit", "voice" and "loyalty" to the relationship, Blois points out some criticism in applying this strategy to business to business world. According to the author, in fact three main points can be stressed, which are not considered when treating "exit" and "voice" in industrial world: the availability of alternative suppliers, which can be limited; the financial implication of the three potential strategy; the response of a suppliers to the strategy of the customer. In some sense, according to Blois, the exit strategy can be sometime a not realistic possibility (Blois 2008, p. 11). Moreover, the Hirschman's categories are related to the customer's reaction to suppliers, instead, the supplier's reactions to customer behaviors are not considered.

Starting from these theoretical background, in the paper we aimed at dealing with the two main research questions: (1) It is possible to point out firm's alternative relational paths in the reconfiguration of the business network?; (2) Which are the effects of these paths in terms of business network dynamics?

3. Research method

Our objective is to apply a case-study method in order to analyze in depth business network dynamics. Recent literature in management research has stressed the importance of case research to generate and test theory (Eisenhardt & Graebner, 2007). Moreover, the case method is considered one of the most valuable for understanding network dynamics (Halinen and Tornross, 2005). In particular, we present case studies of four textile manufacturers located in the Prato textile district: Manifattura Emmetex, Lanificio Faliero Sarti, Beste and Lanificio Pontetorto. which were followed via various in-house data collection means over the last ten years. The cases are the result of data collected mainly through interviews, supplemented by preliminary case study data (documents and records collected over the last ten years). The paper presents the findings emerging from semi-

structured interviews organized in order to collect a large amount and variety of information on business network dynamics. As the firms investigated had a clear willingness to change in order to face the currently more dynamic and hostile environment, these issues were considered over a ten-year period in order to explore how relational path implemented have led to changes in the business networks. We focus directly on understanding whether the firms' representatives would consider such changes radical or incremental.

To ensure robustness of the analysis and construct validity (Dubois and Gibbert, 2010), the data analysis was carried out in two steps. In a preliminary step, we analyzed the data collected from interviews with firm representatives conducted by the authors since 2001 (that is, dating back to the first contacts with the firms) and other documents, such as archive documents, press articles, textile association literature/records, and so forth, to ensure a more fine-grained analysis of the issues addressed. Then, semi-structured interviews were conducted with the aim of collecting data from two generations of the firm's entrepreneurial base. All the firms, in fact, have a family governance structure, in which family company members are responsible for managing product innovation, downstream relationships with customers and upstream relationships with suppliers. These firms, as is typical of Italian industry, are not organized to delegating responsibilities or even engaging managers from outside the family. Table 1 shows the research methodology for data collection and analysis.

Table 1 Research Methodology for data collection and analysis: overview of data sources

Data source	What/Who	When	Why
Archive documents	<ul style="list-style-type: none"> • Firm Annual Reports • Firm Websites • Firm data published in Fashion Magazines • The Pratese Industrial Union literature • Press articles featuring the firm representatives 	Ten-year period (2000-2010)	Integrate interviews and collect data on the firm's strategies and business network changes
Previous case records/literature	<ul style="list-style-type: none"> • Comprehensive face -to-face interviews with the firm entrepreneurs in 2001. • Key informants: entrepreneurs and other firm's representatives • Recording histories and artifacts by direct observation (informal conversations, textile-association meetings) • Previous case studies by the authors published in a book on relationships and innovation in the textile and clothing industry 	<ul style="list-style-type: none"> • Interviews in June 2001; • Continuous recording of histories over a ten-year period 	<ul style="list-style-type: none"> • Consider previous representatives' opinions to better interpret and changes in the firms' business network

Semi-structured interviews	<ul style="list-style-type: none"> • Comprehensive face to face interviews with first and second generation executives at Manifattura Emmetex • Comprehensive face to face interviews with the second- and third-generation managers at Lanificio Faliero Sarti • Comprehensive face to face interview with the entrepreneur at Beste • Comprehensive face to face interview with top management at Lanificio Pontetorto • Interviews lasted between two and three hours. Each interview was taped and transcribed to ensure accuracy 	<ul style="list-style-type: none"> • Conducted in the period December 2010-april 2011: two interviews each for both Manifattura Emmetex and Lanificio Faliero Sarti; one for Beste and Lanificio Pontetorto 	Consider business network change in terms of upstream and downstream relationships
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As stated, the empirical setting of the case studies is textile-clothing, the main sector within the fashion industry and a particularly relevant one for the issues under investigation. In fact, this empirical context is in a crisis scenario, where, increasingly, firms try to experiment different relational paths to change their business network. Nowadays, this is particularly important to Italian textile producers, as reorganization of the business network is often considered the only means to survive, and significant innovations have been implemented with this particular aim in mind. In this regard, the four cases investigated are amongst the Prato district's leading textile producers, all of which have undergone significant structural changes.

In the next sections, we present the findings on the four cases emerging from the methodological procedures described.

3.1 Manifattura Emmetex

According to the founder and top decision-maker, innovation and business network change for Manifattura Emmetex has ensued from decreasing customer appreciation over the last decade. In other terms, downstream relationships have had a significant impact on the firm's strategy to innovate. In response, the company has reduced its turnover and has incrementally changed its business model.

Consider for example, the extent of the value offering. The firm decided to reduce the size of the product range proposed in its "pattern book", which had previously become very large. The number of pattern-book articles is lower today than it was ten years ago. This is because clients are more sensitive to price and moreover no longer view an extensive pattern book, offering a large number of alternatives, as attractive as it was in the past. To respond to customers' increased price consciousness, the firm tried to reduce costs, including the costs related to pattern-book creation and reproduction. This does not mean that the company has lost its ability to attract customers. Quite the contrary, in the entrepreneur's words "customers still want a relationship with us thanks to our

creativity". By "we", the entrepreneur is referring not only to his own organization, but more generally to the group of Prato area textile companies operating in the same market position.

The relationships with customers have, however, changed over the years. Nowadays, the main customers are big companies with large investments in distribution and communication, and hundreds, if not thousands, of stores worldwide. Medium-sized companies, which traditionally represented important clients with whom they once actively collaborated and whence their major profits came, are instead far less important now.

In today's market it is very difficult to keep textile sales margins up. In the chief executive's view, the firm's "counterpart" is a buyer who is acting on behalf of these large groups and often has very strict constraints on starting price. In his words, "... for example, if someone is looking for fabric for trousers that will be priced at 39 pounds, it is clear that the material needed (1.3 ml) cannot cost more than a certain amount, for example, no more than € 5.60 ... consequently all the rest depends on your ability to fit the price within that range, otherwise the transaction will fall through".

Collaboration with customers is thus more difficult now than ever. This, despite the ever dwindling number of customers served by each producer, which has resulted in their revenues depending on only a few large firms. These latter, instead, now have an ever-wider choice of alternative suppliers of semi-finished textiles for apparel production and their decisions regarding fabric purchases are dictated, amongst other factors, by constantly comparing these alternatives. This process has been described as a "continuous auction" by Emmetex's client and supplier manager (the founder's son), who has been with the company for over six years. In his view, "many medium-sized companies and medium-sized retail chains with dozens of stores used to be very important for achieving our sales [targets]... today this is no longer the case ... for example, if a Dutch customer who has thirty stores closes ten of them due to the downturn in the consumer market and the presence of competition from larger groups, the result is that we lose far more revenue than we gain by working with its competitors because these bigger firms are more able and ready to turn to suppliers based in low factor cost countries. On the other hand, the importance of large fast-fashion groups has increased, but these are not the customers with whom our firm has traditionally managed to realize acceptable profit margins.

As we mentioned, cost reduction includes cut backs in the research and development of new fabric offerings. The fact that the firm's product range is now less extensive does not however mean that the company is no longer perceived by customers as highly creative. In the view of Emmetex's manager, in general, "Prato textile firms continue to provide the market and their business customers with an important contribution in terms of new offerings – one that is inordinately high with respect to these companies' rather small physical size". This entrepreneur emphasizes that their

“customers are often fashion firms that buy in small quantities... but whoever buys in small quantities often requires a good deal more service”.

Prato textile companies such as Manifattura Emmetex follow a business model by which the service content of their offerings (fast delivery, creativity, customization etc.) is not charged as an extra; such content does however have an impact on the sale price of the semi-finished textiles they manufacture. In the past Prato textile manufacturers tried to charge higher prices for small quantity transactions, such as providing clients with catalog sample items. Today, however, it is quite difficult to get customers to agree to such terms, given their increased bargaining power. The firm’s management began to get the feeling that “our customer service-oriented activities are just not justified in the long term, because more and more often our customers are using our contributions to develop products and then have them produced abroad, where cost conditions are better”. They are thus asking themselves whether such R & D efforts are in some respects counterproductive. According to the entrepreneur interviewed, industrial customers perceive that “our creative contribution is essential for their creative process ... from this perspective the Prato production system is still irreplaceable in terms of creativity ... apparel manufacturers have to draw on our capabilities ... but in this stage of recession, however, competition in the sector and specifically between the Prato textiles producers is becoming tougher and tougher.

Therefore, the business model adopted by Prato firms in general and specifically by Emmetex does not seem able to ensure sufficient returns in terms of profit performance. Although the current situation at this firm is rather less dire than in others, even this company experienced a reduction in sales and a negative economic net result in 2009. In its management’s view, the conditions for competitiveness at Emmetex, as well as other textile firms in the Prato district, depend on two key company success factors: (a) constantly innovate products, (b) provide first-rate services, especially fast delivery.

In response to all the market forces at work, the company's product has thus changed profoundly over the last decade, according to some general lines that can be summarized as follows:

- products have become ever less ‘basic’, given the all but unbeatable competition in such basic products from producers in emerging countries; to use the firm’s sales manager’s words “comparing our collection today with that of only a few years ago you will see ever more complex articles with all kinds of additions involving greater complications”;
- non-wool fiber products have grown in importance, and the company today does not distinguish itself in any special way regarding the types of components in its textiles; this is also linked to the previous point, since the production of basic, standard single-fiber products has moved to lower cost countries;

- they make greater recourse to non-local suppliers; the Prato area has changed significantly and it is now hard to find all the necessary labor and supplies within the district; in many respects this process of ‘impoverishment’ of the local production base had already started in the 1980’s, though its most substantial effects were felt in the last decade;
- creativity has remained a major factor upon which to base the company’s competitive capacity; however, company creativity is now directed almost exclusively at the high-end of the market and to a wider variety of minor articles whose design is quite different than it used to be, that is, more attuned to the demands of large fast-fashion customers.

The main driver of the change arising from company relationships with its customers is in fact represented by the supersession of traditional production management models based on only two yearly women's collections. While men's collections have remained rather more traditional (two collections a year for the autumn-winter and spring-summer seasons), for the women’s collection the company has recently begun to issue pattern books of fabric collections one after the other at short intervals, even within a few weeks, each with a smaller number of articles. In essence, as the company's management puts it, “for women we are continuously producing many different collections, the creative process is ongoing almost constantly in order to make many offerings in a short time”. This is quite an innovation in the company perspective, because new articles for both men’s and woman’s collections used to be brought out just twice a year.

Such innovation has been driven by interactions with customers involved in retail activities and particularly fast fashion. “This change in our new collection cycle – said the client and supplier manager – depends on the interests of clients of this sort to constantly diversify its fashion offerings ... in a sense, the service that we try to provide to our customers consists of adapting our creative process and offering of semi-finished textiles as close as possible to the rhythms of their processes”.

The company's top management also complains that there is a large discrepancy between the firm's image, in terms of creativity, and its size, in terms of sales revenues. As the company founder and chief executive, put it “When we participate in Europe’s major trade shows, for example, the Paris Première Vision, the stand opposite us is from a Chinese manufacturer called Sunshine, which is thirty times our size in terms of production volumes, ... however, if you compare our stands, the number of interested customers stopping by to see our collections, it looks like we are the industry leader, ... but when it comes down to translating this [image] into sales, we are the losers; in a crisis market, where competitiveness on price is the determining factor, the large-volume orders go to those who produce at the lowest cost”.

In the case of Manifattura Emmetex, as highlighted in the literature (Teece 1986, 2010), innovators are hard pressed to realize profits from their innovations. This is due to the absence of both

complementary resources and opportunities to hold onto exclusivity in the use of innovative technical solutions. At the same time, it seems that nowadays there is little possibility for greater coordination between local manufacturing firms within the same district, so as to at least limit the competition amongst themselves, given that such difficult market conditions are likely to jeopardize their very survival. Somehow the recession has not only reduced the leeway for vertical cooperation (between suppliers and customers), but also the room for horizontal cooperation within the district. What has happened is that while “in the past there was greater specialization in each firm, if not in general textile types, at least in the more specific types and positioning with respect to particular customer segments.....nowadays with the recession, businesses need to uphold sales in any way whatsoever, and such specialization has decreased markedly... companies that used to make products for women’s apparel have started to produce fabric for men’s clothing as well; those who used to deal only with sportswear have started to produce formal clothes etc. ... in other words, everyone started producing everything ...”.

The production of some fabrics traditionally supplied by the Prato area has undergone marked decentralization by offshoring abroad. One noteworthy example is so-called “basic carded wool”, in whose production the Prato textile district once enjoyed a strong market position, but which is now produced mainly abroad, either by firms based in the emerging nations, or by Prato district firms themselves that have offshored their manufacturing operations. This is because the lower cost conditions abroad have made it substantially non-competitive to produce in Italy. Nonetheless, situations may arise that are apparently inexplicable in terms of cost alone. The top management pointed out that “some of our customers’ buyers tell us that the prices of some textile products are lower in Prato than those achieved by the Chinese ... there are dynamics here that can only be explained by geographically decentralized production or strategies of selling below full cost, aimed at acquiring liquidity without however recovering past investment”.

3.2. Lanificio Faliero Sarti

Throughout its 60-year history, this company, headed today by the founder’s son, Roberto Sarti, has been characterized by the creation of high-end, highly prized fabrics. Organizationally, it has developed greater vertical integration than other businesses in Prato, a feature that has become the linchpin of the its competitive strategy in today’s market. In fact, as the company head explained, after “a certain stage [during which] we sought to increase sales volumes by making products for the medium-high range, working for brands such as Banana Republic, and not only the high-end market, for customers such as Chanel”, the firm has returned to concentrating its efforts on the high range of patterned fabrics for women’s apparel, placing the emphasis on imaginative creations.

The firm's top decision makers have changed over the years. It is now managed by the second-generation entrepreneur, Roberto Sarti, together with his sons, the third generation, who were brought into the company over ten years ago. Until few years ago Roberto Sarti's brother, Paolo, formerly President of the Prato Industrial Association, was also involved in firm operations and it was he who effected the company's diversification. When he left the firm "it was a difficult transition – recalls his brother – which in circumstances of a general downturn left its mark in financial terms".

The firm's chief executive today considers it a must to operate on the high end of the market, since "our recent history has demonstrated that the company is unable to operate and achieve profit margins in other market segments ". Thus, high-level mass production has been abandoned and Faliero Sarti now has a reputation for producing fabrics that on average sell at much higher prices – an estimated per meter price of about 17/18 € – than the offerings of other Prato district firms. However, he was quick to point that this is an average figure, since the company also produces some "textiles at 150 € per meter ... these are special high-quality fabrics, purchased by important, demanding customers, such as Chanel".

The evolution of the firm's relationships with the customers is a prime concern for its manager, who does not hesitate to express his bitterness about the course taken by some of the company's relationships with large customers who have shaped its history. These relational aspects seem to have suffered greatly in recent years. In particular, " textile producers have dramatically lost their bargaining power ... we are at the mercy of large customers". Faliero Sarti's most important business customers in recent history include "companies such as Max Mara and Armani ... for us, however, it has become increasingly difficult to work with these giants ... their attention has drifted away, not just from us as an individual company, but from us as representative of a type of interaction in the fashion market ... textiles manufacturers are less and less attractive to these large players in clothing design and distribution". However, apart from those already mentioned, Faliero Sarti's corporate customers still include fashion houses such as Chanel and Jean Paul Gaultier.

Therefore, after a number of increasingly difficult years, Faliero Sarti adopted a new strategic positioning established along two main policy guidelines: (a) vertical integration, by investing in distribution networks and opening stores in some typical luxury locations, (b) production of exclusive textiles targeted to the high end market, thereby focusing on products best able to ensure satisfactory profit margins, despite limited production volumes.

On a creative level, senior managers estimate that "our pattern book was cut down in size ... we can say that today at Faliero Sarti it is probably no more than 60% of what it was a few years ago". This reduction in the number and variety of offerings in the pattern book should not however be

interpreted as a reduction in the importance of the creativity expressed through the firm's collection in its customer relationships. The chief executive explained that "We manage to remain in the market by virtue of our contribution to innovation in fashion ... this is a widely recognized aspect of our business despite the difficulties we are experiencing ... nevertheless such recognition does not alter the balance of power that puts us in a losing position of extreme weakness in comparison to our customers".

Faliero Sarti maintains a traditional approach to new product creation, which involves issuing a new collection (and "pattern-book") twice a year "autumn-winter and spring-summer ... from this point of view there have been no changes during the year". Faliero Sarti's best customers are producers of garments aimed at the top of the range for a female clientele that has always been the company's benchmark. Despite this steadfast definition of the company's target customers and despite their maintaining the programmed structure of their offerings and creative organization, there are nonetheless signs of a growing trend away from fashion firms following traditional production management models and towards fast-fashion oriented garment producers. "We finished in October 2010 for delivery in spring 2011 ... yet that very same week we received urgent orders for delivery within a few weeks from clothing makers-up) who purchased textile products for a launch in autumn-winter 2010-2011!", complained the chief executive.

The Japanese market has had a special role in the company's history: it contributed to the sales growth during a positive cycle that developed in the 1980's and reached its height by the mid-1990's. Faliero Sarti's managers recall how the Japanese garment had a special quality due to "the exceptional harmony between the type of very high-quality patterns and products we made for them, and the demands of Japanese customers ...at the time expressed on the level of both the consumer fashion market and the business textile-apparel market ... all occurring at a time when the purchasing power of these consumers and the economic interests of our direct customers were such as to keep price issues from becoming particularly problematic". The downturn in the Japanese market was the source of many of the problems that the company experienced as early as the mid-1990's, when prolonged economic stagnation also changed the buying habits of Japanese consumers, making price an increasingly more determining element in the selection process for purchases. This clearly placed a great strain on Faliero Sarti's sales of semi-finished textiles in that market.

Despite these difficulties, the Japanese market continues to hold a special interest at Faliero Sarti. In particular, senior managers recall that "there are fashion retailers, such as Uniqlo, who, as characteristic ready-to-wear garment sellers, distribute their products through clothing store chains, but whose market positioning is a much higher than that of competitors such as Zara ... and for

whom Faliero Sarti represents a potential fabric supplier of high-quality fast-fashion branded producers”.

The positioning of Faliero Sarti’s customers may be very high (as in the case of Chanel), but are also represented in many cases by fast-fashion companies, who, despite their lower market price position may at times for certain articles be interested in some high-quality semi-finished textiles and, perhaps even more so, in added service content. It is particularly essential to respond very quickly, as fast-fashion producers are particularly sensitive to supplier response time, even more than to price, given the nature of their production management model. “Our products reach Japan by air, since there would be no time to get a ship off, given the customer’s needs in terms of delivery time ... it is expensive, but necessary to provide the service required of us” explained Sarti’s top manager.

One further issue that was highlighted by the firm’s top management is the difficulty of developing relationships with suppliers and procuring raw materials. In this regard, they decried practices of speculation, mainly by large international investment funds, which acquire the rights to raw materials and dictate substantial increases in their prices. Such increases in raw material costs may compromise the company’s prospects for realizing acceptable margins, despite their implementing quick response strategies to meet the needs of garment manufacturers and fast-fashion customers. “No one in the industry holds stock anymore; by now raw materials purchases have to be made according to production needs”, commented the firm’s chief executive. In such a situation, the firm may find itself forced to purchase raw materials without delay at high prices in order to fill an order requiring fast response times, thereby further cutting into their already slim profit margins. Clearly, it is quite difficult to pass on these higher costs to customers, as they are reluctant to accept higher prices for the textiles. Thus, in the end, given the need for fast response, the increased costs of textile fibers and raw materials reduce the profitability of such transactions.

Consistent with its policy of pursuing very high quality and positioning of its offering, the company has historically implemented vertical integration while maintaining an adequate level of internalization of production. This has been deemed necessary to achieve innovation while maintaining satisfactory product quality, a combination that often poses problems in ensuring consistently high standards. “Different stages of textile production are carried out in-house ... we do the warping and the weaving, we do the finishing, though we no longer do the dyeing as we once did in the past” said Faliero Sarti’s head executive. Maintaining such diversified production capacities is a source of inflexibility in operating costs and has contributed to the sometimes great difficulties encountered in business performance in recent years. Nevertheless, it is considered

essential to maintaining Faliero Sarti's image as a prime supplier of first-rate goods since, lacking such capacities, it would be impossible to ensure the high quality of the company's production.

A key step in the company's history, probably the strongest innovation factor in recent years, was the firm's decision to begin production of finished products for the consumer end market. For a number of years now the company has been producing women's clothing accessories such as scarves; ... "this activity represents a strategically important element for the future of our business". Thus, Faliero Sarti did not limit itself to the manufacturing end, but extended its reach into the textile and clothing pipeline by entering retail. In fact, the company now has three directly managed stores, one in Florence, one in Cortina and one in Porto Rotondo. These are typical luxury locations frequented by "customers we believe have a good deal of spending power ... those who are attracted by the quality of the product and are looking for items falling within the high-range placement of our offerings" said Faliero Sarti's head executive. It is an ongoing process that sometimes proceeds with difficulty, but which is considered crucial, despite potential setbacks, since "if we make mistakes, we do so on our own, and then capitalize on such mistakes by learning lessons for the future".

Vertical integration therefore characterizes the company from a number of different perspectives. It is evident at the level of both its textile manufacturing processes, by which the firm performs warping, weaving and finishing in-house, and in the finished accessory apparel business, which in recent years has extended to exclusive distribution of the firm's high-quality finished products in luxury locations.

Many aspects of its development, in particular its distribution channels, are also partly related to the increasing difficulty in maintaining its relationships with traditional business customers, mostly in the world of designer fashion, a world that the company entered many years ago, when the balance of power was very different. "There was a time that textile manufacturers had a strong position in their relationships with fashion designers ... they needed our creative contribution and industrial capacities to produce fabrics meeting their high-level standards ... today the situation has changed completely... we still have the creative skills that our customers need and cannot find elsewhere, but these skills do not seem to be able to garner recognition in terms of price". This is also because the sectorial competition both in the global market and within the Prato industrial district has increased greatly. Thus, even if the firm's creative contribution remains intact, according to top management, on the one hand "it is impossible for us to compete on price with the emerging countries" and, on the other, "competition between firms in the Italian district of Prato has dramatically reduced profit margins".

3.3. Lanificio Pontetorto

Lanificio Pontetorto was founded in 1952 and has been producing quality fabrics through high levels of expertise and innovation for over half a century. This was achieved through a strategy that has always mix together traditional and forward fabrics as a result of an R&D activity where the research for newness was considered the key for growth. In 1984, Pontetorto was the first mill in Europe to develop a range of Pile fleece fabrics for activewear. As a matter of fact Tecnopile, the Pontetorto registered trademark for activewear fabrics, helped the company to establish a good reputation worldwide. The Banci family, with the second generation at the helm, is pursuing the same strategy of investment and excellence. The new challenges are set by the health safety and workwear sectors where the company is now focusing and allocating a lot of resources including a state of the art certified testing laboratory. Pontetorto has a worldwide presence with two sales representative offices in St. Petersburg and Seattle. The main markets which take up to two thirds of the production are Germany, Great Britain, France, Japan, United States and the former Soviet States. The company occupies an area of 45 thousand square meters. Today, it occupies 150 employees. Customers are either big companies with large investment in retail activities or medium-size garment companies. The recent trends in the customer base is a more fragmented structure with sales less concentrated within few customers.

Pontetorto production includes two main ranges of products: the fashion collection and the sportssystem collection. The fashion range is articulated in three main lines which can be considered as expressions of style and aesthetic, translated by precious and noble fibers like cachemire, angora and mohair. Regarding the sportssystem collection, it is composed by several textile lines that have in common the use of technology applied to garments to create materials and fibers with totally innovative characteristics, such as membranes and treatments against atmospheric agents. The first category (the fashion lines) shows a more rapid and substantial change in the sample at the beginning of each year, since many products with high fashion content are fundamentally linked to a single season. The second category (the sportssystem lines) changes as a result of the searching for new technical high performances materials rather than aesthetic components. The company then works with a wide gap between the two collections (fashion and sportssystem), which is associated with the simultaneous presence of traditional fabrics such as “cardato” (in the fashion collection), whose company is a powerful producer, along with technical components such as pile (in the sportssystem collection). A specific feature of the firm, is the relatively high integration of fabric making activities within the company. In other words, the firm remains convinced of the importance of directly managing the entire process of textile production.

The two main collections are differently exposed to the dynamics of imitation or copying by competitors. Specifically, the sportswear collection suffers more than the fashion. In fact, the planned production model of the collection lead to a loser position for producers in high-cost countries such as Italy with respect to those in developing countries. Consequently, “basic techniques” lines have experienced price pressure and competition from competitors in emerging economies. The managers interviewed proposes as an example the case of a large French chain of sportswear, which was asking for 5 million meters of fabric for basic items at a price of around \$2 per meter, while the enterprise can, at best, achieve a price range for the same tissue which amounted to 4,50/5\$ per meter. This example is emblematic of how the geographical diversification of sourcing and the huge amount of sourcing alternatives for large customers affects the production of big quantity and more planned textile options.

However the firm decides not to reduce the product range and maintain a relatively high number of articles within pattern books in order to favor interaction with customers. In recent years, Pontetorto has experienced an increased importance of the process of developing the product together with the customer, intended as a customization to customer needs. As a consequence of this customization, Pontetorto has seen the emergence of a more fragmented relationships with customer than in the past, that only in rare occasions, starts and ends in one session. Since a dominant part of the orders today requires a strong product customization, the negotiation on the one hand takes more additional characters, on the other is more complex and fragmented. However, it is believed that “today for the company the main way to operate is to activate a brainstorming with the client”. This means understanding the customer's problems and offering guidelines to its formulation and resolution. Nevertheless, as stated by managers interviewed, “...the fact that we do a brainstorming session with the customer does not give guarantee of reaching a successful conclusion of the negotiation process...”, since “...there have been not successful cases”. In each of the steps of a negotiation process (sending the sample, adapting to the customer needs and having a little order for pre-collection of the customer) the company can be replaced by a competitor or an imitator. The manager interviewed recalls as an example the case of a major UK distributor, that after interacting with the company to solve some issues related to its new collections development, then turned to its regular suppliers for orders. Another case mentioned is that of a great German garment maker, which for five consecutive years interacted in all the three stages of the negotiation process with the company without giving any consistent orders at the end. The company then discover that it was actually buying from suppliers in emerging countries which used the know-how and product standards obtained through the process of interaction with the Italian company. These two cases of buyer-supplier interactions are briefly described in the vision of the managers interviewed as an

example of brainstorming with the client that does not guarantee commercial success. However, it is pointed out that the interaction with the customer remains the key activity to obtain positive performances for companies that cannot rely on cost conditions as favorable factors to spend in the relationships with customers. In particular the management interviewed points out the importance of adhering to the customer's needs. The manager highlights how "...we are capable to offer to our customers a huge variety of fabrics in each color they need and in each quantity, even small, they like....that is not possible for our main competitors". According to managers interviewed the maintenance of high levels of creativity along with flexibility in answering to customer's needs are considered to be the main drivers for future interactions. Other potential alternatives, such as vertical integration in clothing manufacturing and in distribution channels to develop new customer relationships, followed by other firms in the district, are considered too risky and definitively not good strategies to face with the increasing competition in the textile-apparel supply chain.

3.4 Beste

Beste has become in less than two decades one of the largest textile manufacturers in the industrial district of Prato. The company is owned by the Santi family, which founded it in 1993 as a "converter" of fabrics. The term "converter" means a manufacturer of fabrics for semi-finished textiles which purchases raw materials, often from lower cost producers from emerging countries, making processes of finishing and dyeing. At an early stage, along with the Santi family Beste was owned by the same entrepreneur that held the largest finishing company in Prato, and more precisely the Cecchi family from the Rifinizione Santo Stefano. In 1997, there was a change in the property and the current owner carries out their business independently from the relationship with the other group engaged in finishing. In the following years the company grew in size through some merger and acquisition. In particular, in 2001 purchased a plant for the production of basic textiles, while in 2005 the headquarters moved to Cantagallo, which in 2003 had been acquired its current facility for the production of fabrics. In the new plant the tissue finishing processes are carried out internally.

In addition to the upstream integration in the finishing, Beste also carries out a process of downstream integration in the production of clothing. In 2008 the company made two major acquisitions. Beste bought 70% of Pontelambro, a Como company working in the weaving and warping. Second, it acquired PWP, a ready to wear clothing company based in Prato in the nineties which had reached a size of 21 million euro in sales in a decade. The importance of these two acquisitions is thus described in company documents: "Not long time ago, just yesterday, it was

only a company, one among the others in the textile district of Prato. Today it is a group able to integrate different realities, to show itself directly in the market industry, finally to make its own system through a prolific network of organizational and industrial sharing". According to this strategic plan, Beste announces the acquisition of the whole capital of Pwp. At the moment, just a simple letter of intents has been signed. The real purchase should be realised by the end of October, not before the usual due diligence. And after careful consideration of several synergy factors. Factors that, however, Beste already foresees to be numerous. Pwp is one of the most dynamic companies on the Prato scene, able to reach in less than ten years the significant turnover of 21 million euros. Its ultra-light structure - just 25 employees - is an unequivocal symptom of a very strong company on both the business and planning planes and certainly less robust in terms of production and industrial aspects. Aspects on which Beste group strenght is based, with its plants in Usella and Carmignanello. On these same elements, no more than three months ago, the company leaded by Giovanni Santi has completed the acquisition of 70% of Pontelambro Weaving, a Lombard company specialized in shirt fabrics and listed in the segment Mac" (Company's report, 10 settembre 2008).

Today Beste is a group that operates in the textiles and clothing through a process of vertical integration but also an articulation of the range of products and services offered, because it works for planned fashion clients but also for the needs of fast fashion producers and retailers. Overall, the company has achieved a rationalization of the acquired organizations' structures. PWP has passed after the acquisition from 32 to 8 people, while Pontelambro decreased from 43 to 22 employees. Overall, in early 2010 the group has 175 employees. According to the company management this number will tend to be reduced to 125-130.

Beste is now a company that operates primarily in two businesses: (1) the production of semi-finished textiles for the garment industry, (2) the production of clothing for large retailers. The first business is the one where the company was founded and which represented till some years ago about 65% of total sales. The second business is more recent but growing, accounted for approximately 35% of sales before the crisis of 2008/2009 and in the last two years has exceeded 50% of sales, becoming the dominant component of the turnover. For both divisions customers are other companies, both manufacturing and distributors of clothing.

The company has been operating for years in a more unstable environment. With reference to the business in which the company operates, Giovanni Santi, president and CEO of the company, says that "from 2010 there have been some signs of recovery, which have not, however, had such a significant impact on sales and profits.". The management of Beste points out in particular the presence of a strong pressure on prices generated from suppliers of semi-finished textiles in

emerging countries. Moreover, the company's customers are increasingly giving attention to prices rather than the quality of the product, as they have many alternatives among which to choose. Also for Giovanni Santi "there is great pressure on the prices of products made by Beste ... the effect of such pressures, the price paid by our clients over the past two years have decreased by approximately 30%".

More generally, the company is oriented towards a diversification its offerings, with the dual goal of reducing the risks and takes the opportunity to obtain an higher share of added value through vertical integration strategies. In fact, the top management says that "... prices fell as the turnover ... today it is much more difficult to obtain positive margins in our business ... ". Firm's managers are engaged in containing costs. The real problem for the company is increasingly seen in the reduced margins in their relations with customers.

The company is focusing its activity on "... the realization of planned sportswear clothing with the customer's brand ...". The management activities are located in Prato both for the "Made in Italy" and for the "Made in Asia" production. The presence in China is relevant to the research activities of suppliers, while the customer was and remains predominantly European.

The relationships with customers is changing. In 2008 it was estimated that the first 10 customers represented 35% of company turnover, while the first 50 customers got 87% of turnover. In the case of newly acquired subsidiaries, the client concentration was even higher. For example, in the case of PWP, it was estimated that 75% of turnover is achieved with the first 5 customers. This subsidiary manufactures fabrics mid-range average price of 8 € per meter and the customers were mainly large retail chains.

During 2010 and the start of 2011 the company has seen a further concentration of the number of customers. In particular, according to company management in early 2011 "... the number of customers decreased by approximately 40% compared to 2008 ... in 2010 we have achieved roughly 80% of sales with 15 companies ". According to Giovanni Santi "... our customer is looking for a non basic product... considering our main fifteen largest customers, ten companies are looking for fashion items, while about five are looking high level and cheap service ... among them there are also many multinational firms ...". The number of customers is also reduced because there is a general tendency of a lesser attention to basic fashion products..

For the management of Beste, the way to interact with the customer has changed. According to the entrepreneur "... up to five or six years ago, Beste worked with customers in a different way ... contacting them in the fair, through the collaboration of two agents which were considered essential ... today things have changed ...". The company has changed the way of interacting with the

customer. This interaction is no longer widely delegated to agents and it directly done by internal employees and in large part directly by the entrepreneur.

For the top management "... now we need people in the commercial office with a greater technical expertise that is was required in the past ... and our sales personnel needs a technical specialization to interface with customers and must have a textile technique training that enables them to manage product knowledge ... ". Instead, customer's representatives in the interaction have less technical expertise than in the past. The customer expects that the technical issues are solved almost entirely by the supplier. For this reason agents are not considered as in the past. The sales personnel of the firm, according to the manager interviewed "... should not make only contacts but manage the entire process till transaction ...".

The negotiation is traditionally divided into two main phases. In the first phase, sales personals should produce contacts. In the second phase, the negotiation involves the management and the entrepreneur and is aimed at the conclusion of important orders. The first level of negotiation is now more important for Beste than in the past. In this case the top management is more directly involved in customer relations. Negotiations must take account on a general tendency towards cutting prices with more complex customer's requests. The liability of the relationship with major customers can be taken only by the entrepreneur and managers with more responsibility in the firm. According to Giovanni Santi "... the most important customers for us are looking form quality product, however, these customers are less than in the past ... this is because the market asks for more "basic" items with low prices ... even as a consequence of the fast growing market presence of textile producers from emerging countries". This strong focus on price by the client is associated with a reduced discussion on the innovative characteristics of the product, so the ability to innovate is not stimulated by these customers. The contribution of customers to product innovation is reducing. According to managers "... this trend characterizes our customers, although there are exceptions ... the fact is that in our relationship with the customers, budget for the client and the profit for us, are now more important than the characteristics of the product to be sold.... ". For the firm, it becomes difficult to offer lower prices due to the contemporary increase in raw material costs and decrease in prices.

Contact sessions with major customers include exchange visits and others meetings. Giovanni Santi says that these meetings "... involve teams of the buyers of up to seven or eight people ... can last a day, taking place at our plants ... where the customer can examine the product and the firm's processes ". For the management "...within the customer's organization there is an increasingly separation between the design department and the production department ... for example in our experience the creative department of a garment maker had designed a product that required a tissue

that we sold at 75€ per meter, while the budget of the production department was roughly 50 € per meter ... in this case our approach could be directed towards one of the following solutions: (a) 75 € take or leave; (b) a reduced price of € 60/65; (c) a different fabric made for 50/55€ per meter but with a lower quality level than the one required by the creative department of the customer ... in this case the solution (c) is often the choice ...".

Beste’s customers tends to give increasing importance to price. The company attempts to give rise to policies of closer integration with the customer seem not to succeed in the management’s view. The number of clients is decreasing and there is a concentration of sales with a smaller number of major customers. For the top management is essential to achieve margins. At this stage, however, prices are diminishing while raw materials costs are increasing. Consequently, reductions in selling prices cannot be associated with savings in buying raw materials.

Following this reasoning, a dual evolution of Beste in its relationships with major customers can be pointed out. Firstly, the company tries to intensify relationships with long-term customers. This effort results in frequent direct involvement of company management in dealing with customers. Secondly, the firm follows a vertical integration strategy, especially downstream in clothing manufacturing, in order to get in touch with large retailers, in so changing the set of customers to deal with.

4. Final remarks

How business network change is probably determined by the combination of business network conditions and relationships, on the one hand, and the representations and willingness of the actors taking part in it. In this perspective, stemming from the empirical analysis (table 2), we propose two main emerging paths followed by the firm in the reorganization of the network, defining them in terms integration or substitution of business relationships.

Table 2. Business network dynamics in the cases analyzed

	Manifattura Emmetex	Lanificio Faliero Sarti	Pontetorto	Beste
<i>Main customers relationships tendency</i>	<ul style="list-style-type: none"> • Main customers are big companies with large investment in distribution and communication • Traditional medium-sized companies are less important 	<ul style="list-style-type: none"> • Main customers are fashion “griffes” (traditional customers) • Previous attempts to develop relationships with medium-high range brands failed 	<ul style="list-style-type: none"> • Main customers are big companies and medium sized companies • The customers base is less concentrated than in the past 	<ul style="list-style-type: none"> • Main customers are planned fashion producers and fast fashion producers and retailers • Concentration of the customers base

<i>Perceived difficulties in interactions with customers</i>	<ul style="list-style-type: none"> • Existence of “continuous auction” with customers 	<ul style="list-style-type: none"> • Lost of bargaining power. The firm is “at the mercy” of traditional customers 	<ul style="list-style-type: none"> • Price pressure due to increasing alternatives for customers 	<ul style="list-style-type: none"> • Increasing attention on price rather than on quality
<i>Strategies implemented</i>	<ul style="list-style-type: none"> • Less extensive product range with high levels of innovation • To provide first rate services 	<ul style="list-style-type: none"> • Less extensive product range • Focus on the production of high-end fabrics • Vertical integration in the pipeline and in the distribution channel 	<ul style="list-style-type: none"> • Maintenance of an extensive product range • Customization of the product to customer needs 	<ul style="list-style-type: none"> • Realization of clothing with customer’s brand • Reduced use of agents in interactions with customers
<i>Main aim of the relational strategies implemented</i>	<ul style="list-style-type: none"> • To reinforce existing relationships with customers 	<ul style="list-style-type: none"> • To find new ways for generating profits 	<ul style="list-style-type: none"> • To reinforce existing relationships with customers 	<ul style="list-style-type: none"> • To develop new relationships with large retailers
<i>Effect on firm’s business network</i>	<ul style="list-style-type: none"> • Integration 	<ul style="list-style-type: none"> • Substitution 	<ul style="list-style-type: none"> • Integration 	<ul style="list-style-type: none"> • Substitution

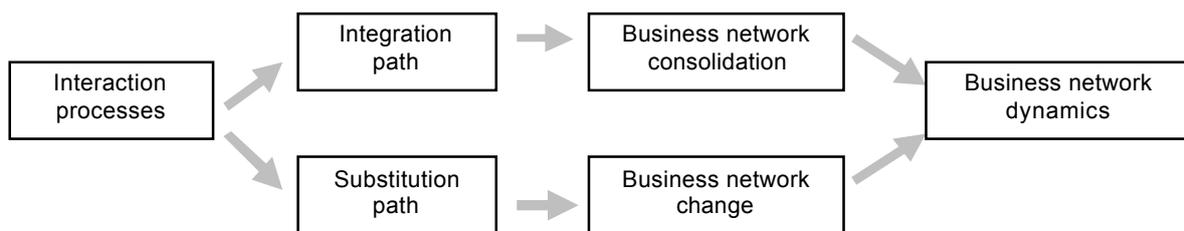
In the integration path, the firm can act identifying leading actors in its existing business relationships to interact with. The mutuality among the goals of the firms and the reciprocity on previous actions can let the firm to reorganize its business network, reinforcing some existing business relationships and, even, changing its existing network developing new business relationships. Consequently, the integration path can lead to business network consolidation.

Alternatively, in the substitution path the firm can totally change business actors to relate with, closing existing relationships and developing new ones. In both the cases, interaction can lead to the implementation of innovative strategies for the firm (e.g. vertical integration in the retailing stage), to the development of new products (e.g. new models), or, more generally, to the implementation of a new, and better performing, business model. Consequently, the substitution path can lead to business network change.

Considering the *first type of path*, adaptation to the customer’s creative process and production management model can drive change, with the fast-fashion customer representing the source of the innovation in the cases analysed. In this case, the semi-finished textiles supplier modifies its schedules for issuing new proposals to conform to the different rhythms of its fast-fashion apparel customers. Firms aims to create a solution that enables better integration between the processes of the companies involved in the interaction (as in the cases of Manifattura Emmetex and Lanificio Pontetorto). For this reason, we would define this type of process as having primarily integration effects on the existing business network (business network consolidation).

Considering the *second type of path*, difficulties in maintaining sufficient bargaining power in dealing with direct clients, and the evidently central role of the retailing process in generating market power may prompt the supplier to integrate its operations vertically and produce finished goods to distribute through a retail channel. In this case, firms aims to tap into previously unexploited sources of income and knowledge deriving from direct contact with the consumer market, which is seen as a source of power and an aid in overcoming the difficulties encountered in interactions with business customers. Such difficulties clearly stem from the unevenness in the market power balance and such customers unwillingness to adopt a more interactive approach (as in the cases of Faliero Sarti and Beste). For this reason, we would regard this type of process as having mainly substitution effects on the existing business network (business network change).

Figure 1. Interaction processes and the “integration” and “substitution” effects on business networks dynamics



(authors' formulation)

In this perspective, in all the cases emerges as an attempt to overcome difficulties in the interaction processes and in relationships with direct business customers (with a consequent loss of bargaining power even in transactional terms), to which all the companies analyzed have sought to respond, though through means with different implications on their business networks.

The paths described show how the reorganization of the business network descend from the firms' perceived difficulty in working with customers and their positioning in the business network are the result of a generalized crisis conditions in the textile industry. This point confirms the central role of a business network-oriented approach to assessing business performance and organizational health. However, it also reveals how, in the specific cases under exam, firms' relationships with customers and within business networks appear to be undergoing a general decay, as the relational dimension is increasingly jeopardized by the new central role attributed to price in defining transactions. The firms' top decision makers thus perceive relationships with direct customers as progressively more negative.

A single case study research cannot establish whether the central role taken on by price is the cause or the effect of the breakdown in relationships with major direct customers. The cruciality of price issues in interaction processes generates a push for a firm to reorganize and innovate by modifying their interaction processes themselves. In the present study, it was clearly associated to the difficulties that the firms encountered in their interaction process with industrial customers and their weakened position within their business networks.

The present study aims to contribute to the development of a new theory on business networks dynamics and thereby shed light on the managerial implications of such relations. In all the cases studied the crisis situation within the business network has imposed changes. In all the cases such change is perceived as arising from within the reference business network. Awareness of the various options for bringing about change and consolidating the business network can represent an important conceptual tool for business decision-makers.

Lastly, some words should be spent on the various limitations inherent in the present study. With regard to the distinctions drawn regarding the possible alternative relational paths on business networks, the two alternatives identified may clearly not be the only ones, given that the case analysis regarded only four firms: a broader study may very well bring to light other relations in business networks dynamics. Moreover, although the present case studies were longitudinal in nature, and were therefore followed for many years, the process linked to the network changes began only recently, and its full ramifications are yet to be revealed. In any event, the relevancy of this type of research to existing theory warrants further study, as only future research will enable us to delve further into all the associated aspects and further develop the issues addressed herein.

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