

## **From depicting dyads to picturing network The key “actor gets actor” relationship function**

Chiara Cantù  
Research fellow  
SEGESTA – Università Cattolica, Italy  
e-mail: [chiara.cantu@unicatt.it](mailto:chiara.cantu@unicatt.it)

Renato Fiocca  
Professor  
SEGESTA – Università Cattolica, Italy  
e-mail: [renato.fiocca@unicatt.it](mailto:renato.fiocca@unicatt.it)

Annalisa Tunisini  
Professor  
Department of Economics, Politics and Society  
Università di Urbino “Carlo Bo”, Italy  
e-mail: [annalisa.tunisini@uniurb.it](mailto:annalisa.tunisini@uniurb.it)

Roberta Bertani  
Università Cattolica, Italy

### **Abstract**

Increasing attention has been recognized to the value generated by business relationships. Even if most of the research focused its attention on the customer’s perspective of value, only recently research on business markets seems to shift its focus from a customer’s perspective to a supplier’s one. The key questions can be in this way synthesized: what value customers can generate from a suppliers’ point of views? Moreover, what are the drivers of this value? What are the features of key customers?

The paper investigates these research questions analysing, in a case study, the approach adopted by an Italian firm to identify its customer relationships and its relationships portfolio management approach. The results underline that the most of the value generated by key customers resides in the new market interconnections they generate.

**Key words: relationship value, relationship function, value, dyads and network.**

## INTRODUCTION

The value concept has acquired a greater and greater relevance in the business market generating the introduction of relationship value concept.

Although most research has adopted the perspective of the customer, investigating what the customer's perceived value is, recently some scholars have investigated the value of business relationships from a supplier's point of view.

In this later approach a significant work was realized by Walter et al. (2001). These scholars emphasize the key functions of a dyadic relationship adopting the perspective of the supplier. Differently to some scholars who have focused on perceptions of value outlining it as "a trade-off between benefits and sacrifices" (Walter et.al 2001: 366). Walter et al. (2001) emphasize how value is generated by direct and indirect relationship functions.

The direct and indirect functions seem to emphasize how the value is founded not only on economic dimensions but also on reputational and relational dimensions. In fact, scholars depict direct economic functions but also innovation, market, scout and access functions. This interpretation also requires us to recognize the interconnections between several dyadic relationships.

As a matter of fact, as emphasized by the IMP approach, relationships generate a dyadic function but also a third function related to what affects and is affected by other relationships that involve other parties.

From this perspective the interdependence between direct and indirect relationships through which firms share resources outlines the interconnection of relationships (Andersson and Forsgren, 2000; Hansen, 1999). The access to the other party's resource constitutes an important asset (Fiocca and Snehota, 1986). Consequently the development of a firm depends on the development of its direct and indirect relationships (Håkansson and Snehota, 2006; Mainela and Puhakka, 2008). In this context, the analysis of relationships structure and their degree of connection is strictly related to network embeddedness (Echol and Tsai, 2005). According to this approach, a single firm is embedded in a context of other firms and connected by different boundaries that provide bridging functions that join the firm to its environment (Araujo et al., 2003). Through the connectedness of business relationships, the changes propagate throughout the network (Håkansson and Snehota, 1995).

Value in the dyadic relationship is related to the value generated by the network that it is influenced by the three layers: actors bonds, resources ties and activity links (Håkansson and Snehota, 1995). Each business actor is involved with other actors to exploit the heterogeneity of resources by combining them in new ways (Håkansson et al., 2009: 264).

Moreover **each layer takes place in the context of wider activity patterns, resource constellations and actor webs**. The capacity of a firm to provide values to others (productiveness, innovativeness, competence) is thus related to the position of a firm with respect to others. The ability to relate with others is generated by actor bonds that determine the identity of the organization and the link of their knowledge (Håkansson et al., 2009: 141). The **closeness between actors overcomes geographical pictures focusing on actors' jointness and relatedness**. **Relational proximity**, related to how actors interact (Knoben, 2008: 55), is founded on the more intangible closeness in terms of relationships, reference and knowledge.

In this context we investigate how key customer relationships generate value from a **supplier's perspective focusing both on a firm's dyadic relationships and their network interconnections**. **In particular, we analyse the value generated by the relationship with customers investigating the dimensions that overcome economic value, going more in depth into the key role of customer as an enabler of new relationships**.

The paper will be structured as follows. After a literature review related to value creation in business relationships from a supplier's perspective, the work presents the research approach and the case study.

The research is focused on the functions of business relationships investigating the value generated by the customer and its main dimensions. Moreover, focusing on the ability of the customer "to get other actors", the paper analyses the new relationships that could be activated by the customer through the management of dyadic relationship with its customer.

In particular, this work analyses the approach adopted by an Italian firm to manage its customer relationships portfolio, investigating the dimensions through which it identifies the key customers. Moreover the paper presents these **dyadic relationships and their network interconnections**.

### **BUSINESS RELATIONSHIPS: THE CO-CREATION OF DIFFERENT KIND OF VALUE**

Value has been defined as the cornerstone of business market management for a long time; on the basis of the predominant role that functionality or performance plays in business market (Anderson and Narus, 1990; Anderson, Hakansson and Johanson, 1994).

Focusing on dyadic supplier-customer relationships, that characterize the business market, value was defined by Anderson et al. (1993) as "the perceived worth in monetary units of the set of economic, technical, service and social benefits received by the customer firm in exchange for the price paid for a product offering, taking into consideration the available suppliers' offerings and prices" (Kothandaraman and Wilson, 2001: 380). The **monetary value** was thus related to economic, technical, service and social benefits obtained by a customer firm in exchange for the price paid for the supply of a product (Anderson, Jain and Chintagunta, 1993).

Moreover, going more in depth into the interaction attitude two issues emerged: there are key kinds of value that overcome the monetary one and, in a dyadic approach, value is not produced by one party and consumed by the other as both parties take an active role in value generation.

Focusing on the first issue, the relationship value was so identified in the **value construct**, connected with social and service benefits, and founded on the technical and the social aspects of the relationship (Holmlund and Kock, 1995). **Relationship value** is based on three aspects (economic, strategic and behavioural) that are connected both to hard and soft attributes (Wilson and Jantrania, 1994). Furthermore Ulaga and Eggert (2001) describe the value as a comparison between benefits and sacrifices considering product benefits (e.g. quality, services, performance), strategic relational benefits (e.g. long term benefit such as know-how transfer, new product development, time to market reduction), and personal benefits (interpersonal relationships supporting business interactions). Relational sacrifices are identified in time and effort. Redefining their model, Ulaga and Eggert (2005) identify the relationship value benefits in product, service, know-how exchange, time to market reduction and social relationships, while costs are evaluated in terms of price and process costs. Accordingly to this approach, the value is commonly considered as "a ratio of benefits received versus burdens endured by the customer" (Ulaga, 2001: 318).

Investigating the second issue, as well emphasized by Ramirez (1999) the **value is co-produced**. Differently from the traditional idea of value creation in which customers were seen as "destroying the value which producers had created for them", in the alternative view customers "are actively co-creating and re-creating value both with their suppliers and their own customers" (Ramirez, 1999: 51). The "relieving value" is based on the labour saving

value that the offering, based on product and services, provides while “enabling value” helps the other party to work “more efficiently, effectively, easily, safely and elegantly”.

By joining forces in business relationship, firms increase their potentialities of business (Kothandaraman and Wilson, 2001: 384). The value is so produced jointly (co-created) by the parties in interaction (Ulaga, 2001; 2006). The value becomes so related to three different perspectives: supplier’s perspective (looks at customers as key assets of the firm), the buyer’s perspective (how the supplier can create offerings of superior value to the customer) and the buyer-seller perspective (founded on how buyers and sellers can create value jointly through relationships, partnering and alliances) (Ulaga, 2001: 316).

### **THE VALUE, FROM DYADIC RELATIONSHIP TO NETWORK: THE PERSPECTIVE OF THE SUPPLIER**

Focusing on dyadic relationships, even if several scholars have investigated the perspective of customer value, increasing attention has been given to the supplier’s perspective. In this later approach a significant work was made by Walter et.al (2001). These authors used “functions of a customer relationship” to categorize how the supplier perceives value, outlining direct and indirect functions of customer relationships.

The direct functions are founded on direct interconnections between activities and resources of the supplier firm and the customer firm, without being dependent upon third parties (Kalwani and Barayandas, 1995). These functions involve the **profit function** based on the profitable customer relationships for suppliers in order to sustain their development, and the **volume function** considering those relationships that allow firms to overcome a capacity in order to achieve economies of scale and to achieve the retention of customers. Moreover the **safeguard function** improves the cost efficiency of the supplier, through the emergency customers supporting business in a crisis situation.

On the other hand, indirect functions of business relationships “capture connected effects in the future and/or in other relationships—the wider network” (Walter et al., 2001: 368). The exchange in a business relationship is founded on the interconnections in other relationships. Indirect functions positively impact on exchange in other relationships. From this perspective product and process innovation developed positively with a customer can generate a positive effect also with other organizations (networking innovation development, **innovation function**) (Wikstrom, 1996). Moreover, a customer can support a supplier to enter into new markets through referrals and/or recommendation, especially considering prestigious customers (**market function**) (Gemunden, Walter and Helfert, 1996). Another key indirect function is the **scout function** through which the supplier obtains meaningful information for its business from referents outside the organizations (Cunningham and Homse, 1982). The development of the relationship between the customer and other organizations also provides the **access function**, supporting suppliers to develop relationship with several stakeholders (Håkansson, 1987; Gemunden, Schattgen and Walter, 1992).

The perceived value of relationships from a supplier’s perspective tends to increase through the increasing fulfilment of customer relationships on direct and indirect functions (Walter et al., 2001).

Moreover, as well emphasized in Industrial Network Perspective the dyadic relationship needs to be investigated considering the network of interconnected relationships.

In fact as well stated by the IMP approach firms anticipate mutual benefits which result either immediately in the specific relationship (direct or primary or first order functions) or from its impact on future business or on other relationships organizations are engaged in (indirect or secondary or second order functions) (Anderson, Håkansson and Johanson, 1994).

Furthermore the purpose of relationship is related to direct or indirect realization of economic goals (Håkansson and Turnbull, 1982; Håkansson and Johanson, 1993; Anderson, Håkansson and Joanson, 1994).

As well outlined by IMP scholars a dyadic business relationship involves actors that actively create value through interaction.

We can find a **function of relationships for the individual firm** that is related to the internal element of actors involved in the relationship and their other relationships, and a **function for the dyad** that is generated by the conjunction of the two firms. Moreover the **function for third parties** is related to what affects and is affected by other relationships that involve other parties. The effects on and from third parties depend on the strength of the connectedness in the network (Håkansson and Snehota, 1995).

The value is therefore generated by the resource layer, the actor layer and the activity layer (Håkansson and Snehota, 1995). Resources can be identified as a means through which actors develop their activity (Håkansson, 1987); the activities are processes developed in order to transform resources that are created during the interaction. We can recognize physical resources (products and production facilities) and social resources (organisational units and relational units) (Håkansson, Waluszewski, 2002). The four kinds of resources are dependent one another. Products are created in direct and indirect interaction that influences their property. The production facilities, that support a better use of resources and a decrease in costs, have latent features that can be activated only through interaction.

The interdependence is multidimensional and refers to links of activity, ties of resources and bonds of actors. Each actor, being member of a network, supports the access to resources controlled by other actors. The value and importance of actor bonds depend on how they connect within relationships: an actor is so considered as a value providing partner.

The use and value of resources depend on the way they are combined (ties) with other resources those belong to, and are used by, other actors. The value of heterogeneous resources lies in their use which is always made in combination with other resources (Håkansson and Snehota, 1995). The repetition of actions and transactions creates links among activities. The results reached in relationships depend on the link that an organization develops and maintains with other organizations.

Activity links, resource ties and actor bonds in a relationship integrate various elements and generate the outcomes. Moreover, relationships themselves can be considered and used as resources or assets, since they are productive and thus a source of value to the parties. **Each layer takes place in the context of wider activity patterns, resource constellations and actor webs.** Activities are interdependent, despite their location, their application, their cost and benefit. Each activity forms part of the pattern of activities that extends within and over firm and organizational boundaries (Håkansson et al. 2009: 99). In interactive landscape resources, belonging to different location, are heterogeneous and their value increases through interconnection. Every actor appears to be dependent on a specific web of actors and exists as a consequence of interaction with these actors (Håkansson et al. 2009: 140-141). The linking between actors outlines the jointness characterizing specific relationships, considering that any actor depends on the intentions, resources, and activities of the actors with whom it also interacts. Jointness is a “measure of the spatial extension of an actor across the network via its relationships with others” (Håkansson et al., 2009: 141).

Each action is a part of the continuing interaction between multiple actors that are selectively interconnected. The actor bonds consist of mutual orientation, preferences and commitment. From this perspective cooperation is developed between firms dependent on the psychic distance perceived by individuals in the firm involved in a relationship (Håkansson and Snehota, 1995). In this context, the mutual adaptation is a prerequisite of the development of

a relationship between two companies (Hallen, Johanson and Seyed Mohamed 1989). Bonds between actors determine the identity of the organization and influence the ability to relate with other organizations. The position of a firm with respect to others (its relationships) reflects its capacity to provide values to others (productiveness, innovativeness, competence). **Jointness involves closeness between actors across geographical space but also includes exchange of** respective knowledge, technologies, capital investment and culture (Håkansson et al., 2009: 141). From this perspective the relational proximity is the basis of jointness and relatedness.

The **proximity** founded on inter-organizational collaboration (Sternberg, 1999) is often related to geographical proximity. Moreover other forms of proximity are identified in institutional proximity (Kirat and Lung, 1999), organizational proximity (Gill and Butler, 2003), social proximity (Bradshaw, 2001) and technological proximity (Greunz, 2003). In organization proximity interactions among actors can be facilitated through explicit or implicit rules of behavior (Torre and Rallet, 2005). Organized proximity is built on two logics. In the first logic when two members of one organization interact, they are in proximity, because their interaction is facilitated by rules, routines and behaviour that they use and follow (Torre and Rallet 2005). In the second logic organized proximity reflects the logic of similarity. Two individuals are close to each other, because they are alike, they speak the same special language; they share a system of common interests, beliefs and knowledge in the same cultural sphere (Lejeune and Vas, 2009).

Moreover through cognitive proximity interaction can be based on similarities related to the way in which actors perceive, interpret, understand and evaluate the world (Wuyts et al., 2004). The key dimensions of social proximity (Boschma, 2005) are well developed by personal proximity (Schamp et al. 2004) and relational proximity (Coenen et al., 2004).

The **relational proximity** is related to how an actor interacts (Knoben, 2008: 55) and refers to the more intangible closeness in terms of relationships (through organizations and networks), reference and knowledge (norms, values, rules of thought and action).

A key dimension of relationships in the relational proximity perspective is the extent to which goals and/or identity are shared (Schulter and Lee 2009). Focusing on commonality the divergent goals and priorities can create strain in relationships.

As investigated in the empirical section, relatedness and jointness are strictly related to the convergence of goals allowing the emergence of actors as enablers of new relationships.

## RESEARCH APPROACH

### Methodology

The research aims at focusing on the functions of business relationships investigating the value generated by a firm customer.

The analysis is at an exploratory stage and it is based on several in depth interviews made with the focal firm (F1) and its main customers, as evaluated by focal firm (F2, F9, F29, F40, F55, F73, F84, F98).

As it is suggested by a long term IMP research tradition (Easton, 1995; Dubois and Gadde, 2002; Halinen and Törnroos, 2005) we adopted a case study approach: it helps us to better collect dynamics of business relationships processes and their interconnections. Moreover in the development of our analysis we have continuously combined the theoretical framework, focused on the functions of business relationships and the customer value, with the empirical results (Dubois and Araujo, 2004, Piekkari, Plakoyiannaki and Welch, 2010).

We investigated how networks work in different settings and contexts (Ford et al., 2002), considering relationships, between the focal firm and its customers, in terms of activity links, resource ties and actor bonds (Ford et al., 2002).

Data was collected through semi-structured interviews that began in February 2011. The interviews were realized both with the sales managers of the focal firm (marketing and sales managers, sales and assistant managers) and the 8 main customers chosen by F1. The interviews were realized face to face, by phone, by mail and videoconference. The main interviews, which lasted from 90 to 150 minutes, were recorded and taped. The interviews aim to investigate the following main topics (table 1):

Table 1 –Topics of the interviews

Main topics of the interviews	Interviews to focal firm		Interviews to key customers		Main topics of the interviews
	Rep. of Sales Team	Face to face interviews (minutes)	Key customers	Method: Face to face and by mail, phone, and videoconference	
<ul style="list-style-type: none"> <li>✓ The structure of customer portfolio</li> <li>✓ The customer's industry</li> <li>✓ The product and services provided by the firm</li> <li>✓ The frequency of purchase</li> <li>✓ The possibility of customization</li> <li>✓ What is shared and learnt through the relationship</li> <li>✓ The starting and the evolution of the relationship</li> <li>✓ The main drivers of relationship development</li> <li>✓ The interconnection of business relationships developed</li> </ul>	Marketing & Sales Manager	150	F73	From 90 to 150 minutes	<ul style="list-style-type: none"> <li>✓ The structure of providers portfolio</li> <li>✓ The relevance of the focal firm</li> <li>✓ The frequency of purchase</li> <li>✓ What is shared and learnt through relationship</li> <li>✓ The main drivers of relationship development</li> <li>✓ The starting and the evolution of the relationship</li> <li>✓ The interconnection of business relationships developed</li> </ul>
	Sales Assistant	126	F29		
	Sales Assistant	132	F2		
	Sales Assistant	142	F55		
	Sales Assistant	130	F40		
	Sales Assistant	136	F9		
	Marketing & Sales Manager	145	F84		
	Sales Assistant	109	F98		

One of the main goals of the interviews has been to collect both the customer and the supplier's perspectives of relationships and the reasons of their convergence.

This primary data was combined with secondary data gathered from the firm's website, reports, trade press and other internal documents.

Through the combining of data collected from key representatives of the sales team (focal firm) and from its 8 customers, the following network pictures (e.g. Figure 1) were depicted focusing on how relationships are cross related (Naudè, Mouzas and Henneberg, 2006, 2008).

## **The focal firm**

The focal firm (F1) was founded in 1951 near Milan (Italy). The firm is one of the first Italian manufacturers of spring loaded safety relief valves. Since the beginning, the firm has been focused on the manufacturing of engineered products in a variety of standard and exotic materials.

This variety of different engineered products has allowed F1 to reach a leading position as manufacturer of specialty valves for the Industry. In 1951 the main products were identified as safety relief valves, change over valves, and vacuum release valves. In 1970 the new products were based on control and cage control valves, special control valves and plant. In 1999 a new product involved safety relief valves for steam application, while in 2003 pilot operated safety valves were introduced. Three years later, in 2006 on-off valves, ball valves, gate valves, and control services were developed. In 2007 the firm moved to a new larger operation near Milan.

The growth of the firm has been achieved through the development of new valve technologies. The expertise of F1 has been increased thanks to the aid of the updated design methods and the cooperation with important R&D centres for the execution of tests.

F1 has continuously developed and customized niche products, according to customer specific requirements in order to serve the wide energy market, supported by engineering skills for refining, petrochemical, power generation, off and onshore installation, sub-sea, oil & gas industries.

A key driver of the firm's development is recognized in the particular attention to customer needs that has always characterized the activity of F1 and its mission: "to provide responsive, innovative and cost effective products and services according to customer specific needs and requirements and to serve the wide energy market". Going more in depth the attention of the firm has always been focused on the customer and other stakeholders, as outlined by the mission: "to promote a smart growth of the company, to effectively communicate with those with whom we interact customers, agents and representatives, to preserve health, welfare, safety and environment while maintaining outstanding quality of products".

The main values that characterize the activity of F1 can be summarized in integrity (honesty and fairness), respect (recognizing the dignity in all people), service (being committed to responsive, quality service, delivered on time, courtesy, and fairness), accountability (responsible for action and decisions), teamwork (promoting partnership, consultations and open communication), balance (encouraging the achievement of a healthy balance).

The activity of F1 has a strong orientation to quality. The production is customized. A highly qualified personnel is required for assembly and to grant quality assurance. F1 has been working within a Quality Assurance System for many years. It received UNI ENI ISO 9001 Certification as far back as 1993.

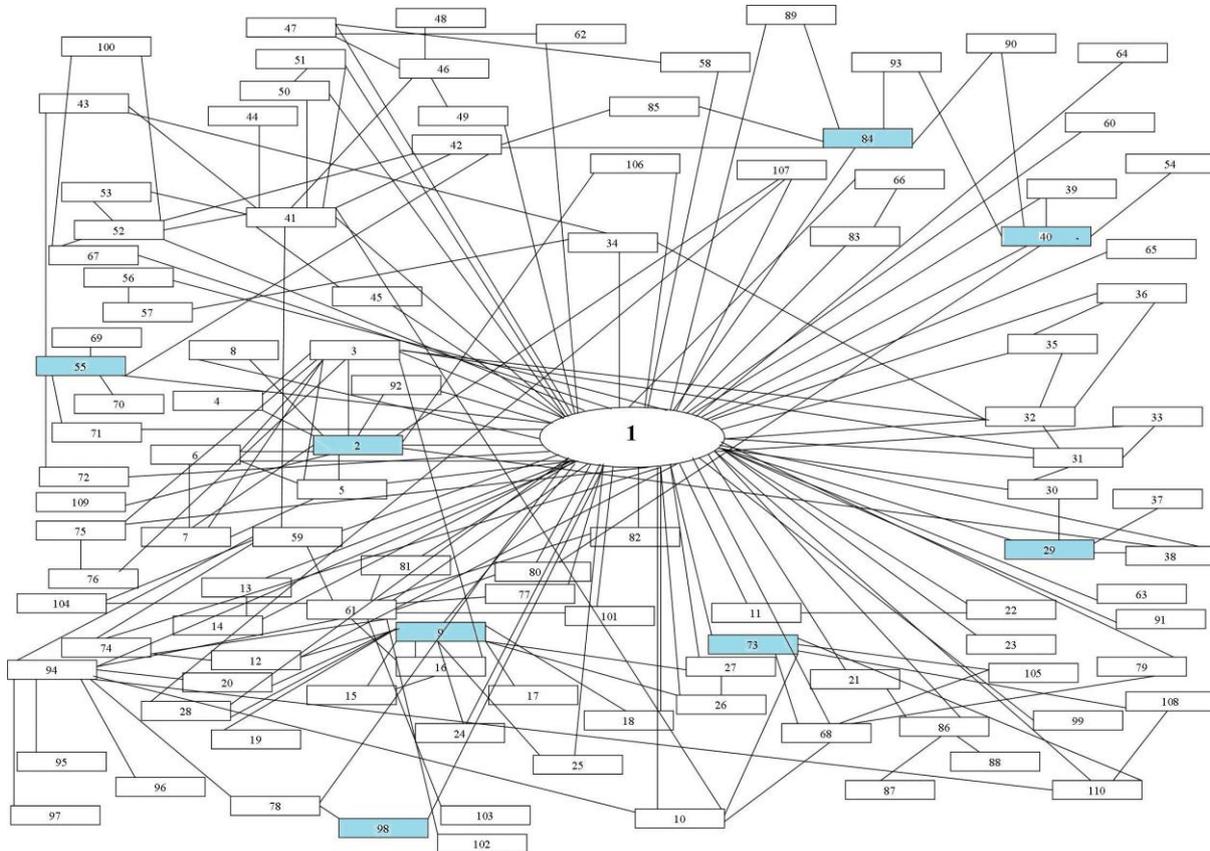
The peculiarity of the valves is that they are made from a forged block body (in a single piece including bonnet). The total absence of threads in all the parts in contact with processing fluid, the absence of stagnation areas and the high stiffness of the stem and the plug complete their features.

The expertise gained in this field, the optimisation of fluid-dynamic features and the use of specific materials allow F1 to obtain a high resistance to erosion and corrosion, both at high pressure and at high temperatures. When designing them, the main goal of F1 was to improve assembling and disassembling activities in order to ease the maintenance operations.

In addition to this, F1 invests not only in technical quality but also in relational quality. The relationships portfolio of F1 involves other 9 customers.

In order to realize its activity F1 has developed relationships with several actors. Focusing on the relationships developed between the Sales Department and the key customers we can outline the following network (macronetwork).

Figure 1 – The network of F1 (focal firm)



As well emphasized each actor is interconnected with other organizations with which it shares tangible and intangible resources.

The main actors recognized by F1 are the following firms: **F2, F9, F29, F40, F55, F73, F84, and F98.**

Moreover the main condition to enter the portfolio relationships of F1 is to be recognized by F1 as a key relevant actor.

Going more in depth into the features of these actors, we can outline as a common feature (supplier and customer perspective) the tendency to cooperate.

We can also depict the main features of key customers.

**F2** was founded in the 1920s in Italy. During the years, it spread around the world. Its products are compressors and industrial plants. Moreover, it offers integrated technical services for different industries.

**F9** was founded in the 1880s. The F 9 has to do with the production of electric power, oil and natural gas. This Italian firm is spreading in Europe and all over the world.

**F29** was founded in the 2000s. F29 was founded in Iran with the aim of commercializing products and equipment in the chemical and petrochemical industries. Its customers are also engineering companies. It belongs to the mechanical sector including safety devices for plants and industrial equipment.

**F40** was founded in the 1960s in the North of Europe. Its products are actuators, industrial valves, electro valves, rupture disks, instruments (for monitoring liquid, gas, temperature, electro-hydraulic system) and control panels.

**F55** was founded in the 1920s in the Middle of Europe. Its activities are designing and constructing of new plants and revamping existing plants all over the world. Its products and services are provided to chemical industry.

**F73** was founded in the 1880s in the Central Europe. Its products are compression systems. Moreover, it offers installation and commissioning of its products for its customers.

**F84** was founded in the 1990s in the North of Europe. Its products are electric actuators, pneumatic actuators, hydraulic actuators, actuator controls, control panels, industrial valves and pressure and temperature measurements.

**F98** was founded in the 1980s in the North-East of Europe. Its activities are dedicated to the design, manufacture and testing of valve actuators and control systems. Its products and services are provided to water, chemical, food, mining, oil & gas, pharmaceutical, power, shipbuilding, and steel industries.

## RESULTS

According to data collected in semistructured interviews, analysing the dyadic relationships between F1 and its 8 key customers, the main features of relationships can thus be synthesized (table 2):

Table 2 – The features of the dyadic relationship

<b>Firms</b>	F2	F9	F 29	F 40	F55	F 73	F 84	F98
<b>Intensity of relationship</b>								
Continuity of relationship (years)	6-10 years	6-10 years	2-5 years	1 year	More than 10 years	6-10 years	2-5years	6-10 years
Frequency of interaction	monthly	quarterly	quarterly	monthly	annual	quarterly	monthly	annual

Investigating the dyadic relationships (F1 and its customers) the attention is focused on the intensity of the relationship, with particular reference to the continuity of relationship and the frequency of interaction.

Table 2 outlines how the longest relationships are those developed between F1 and F2, F9, F55, F73 and F98. The frequency of interaction is higher for F2, F40 and F84.

Going more in depth into the analysis of interviews, investigating the concept of relevance in the dyadic relationship we can outline the following drivers of value (table 3 and table 4).

Table 3 - The F1 point of view: the relevance of customer

	F2	F9	F29	F40	F55	F73	F84	F98
Revenue	X		X	X			X	
Product innovation	X			X	X		X	
Knowledge - competences about product	X		X	X	X	X	X	X
Knowledge about market	X		X	X	X	X	X	
Reference list-reputation	X	X	X	X	X	X	X	
Customer gets customer	X						X	

Table 4 - The customer point of view: the relevance of supplier

	F2	F9	F29	F40	F55	F73	F 84	F98
Revenue	X		X	X			X	X
Product innovation	X			X			X	
Knowledge of product	X		X	X			X	
Knowledge of market	X		X	X	X	X	X	
Reference - reputation	X	X	X	X			X	
Business partner relationships	X						X	

We can observe that for some actors (F2 and F84) the value is founded on different functions of customer relationships that can be considered on the base of the strength of relationship. These two actors explain both the economic function (generate economic value) and the functions of innovation, market, scout and access. These relationships allow the focal firm to develop product innovation, through the sharing of knowledge and the competences combining realized through interaction. Moreover, through these relationships the focal firm can collect information about new markets and find support in the development of offering system. These actors are relevant for their ability to influence the reputation of the focal firm in a positive way, considering also the reference list.

In addition to this, these relationships are very important to realize the “customer gets customer” function, activating new direct and indirect relationships for the focal firm.

For instance, focusing on the dyadic relationship with F2 that operates in Italy and in other many countries, the focal firm (F1) develops activities through interaction in order to reach an economic outcome but also to share relevant information about international business and about the use of products by end users. Moreover through the relationship with firm 84 that operates in the Northern Europe, the focal firm (F1) obtains relevant information about a specific market and also about the technical certification required.

We can also consider the perspective of the customer: we found that for the same firms (F2 and F84), the focal firm is considered a key provider focusing on its ability to generate value,

to support product innovation, to support knowledge sharing and competence combining and to support the development of business partner relationships.  
 In addition to this, we can investigate the aims of relationships and the attitude of actors (table 5 and table 6).

Table 5 - The main goals of relationships: the perspective of the focal firm

	F2	F9	F29	F40	F55	F73	F84	F98
<b>Diversification</b>	X						X	
<b>New markets</b>	X	X	X	X	X	X	X	X
<b>Other</b>								

Table 6 - The main goals of relationships: the perspective of the customer

	F2	F9	F29	F40	F55	F73	F84	F98
<b>Diversification</b>	X						X	
<b>New markets</b>	X		X				X	
<b>Other</b>		X		X	X	X		X

In the dyadic relationship, the main goals for both actors are identified as diversification and development of the new market (table 7).

Table 7 - The main attitudes of actors

Attitude	F2	F9	F29	F40	F55	F73	F84	F98
<b>High Commitment</b>	x						x	
<b>High quality (technical - relational)</b>	x		x		x	x	x	
<b>Learning</b>	x		x	x			x	x

The main attitudes of these actors can be synthesized as high commitment, investment in high quality and learning.

The development of a dyadic relationship based on cooperation and learning is strictly related to the interconnections with other organizations that outline the network of customers (micronetworks).

Considering the relationships with the main customers in the portfolio we can notice the development of the following new relationships (table 8).

Table 8 – The developments of new relationships for the focal firm

	F2	F9	F29	F40	F55	F73	F84	F98
<b>N. of new relationships:</b>	5	1	3	1	3	2	5	1

## DISCUSSION

On the base of previous tables we can make some interpretations about how a relationship with a business customer can generate new relationships.

As we can see in table 8, we can find a higher number of new relationships generated by the dyadic relationship F1- F2 (5), and by the dyadic relationship F1 - F84 (5).

Going more in depth into the analysis of these key dyadic relationships we can specify that **F2** is an Italian firm founded in the Region of Lombardy and nowadays it works in several countries (figure 2). Its products are compressors and industrial plants. Moreover, F2 offers integrated technical services for different industries: aerospace, agricultural machinery, automotive, chemical, desalination, engineering, industrial gases, petrochemical, refinery and steel industries.

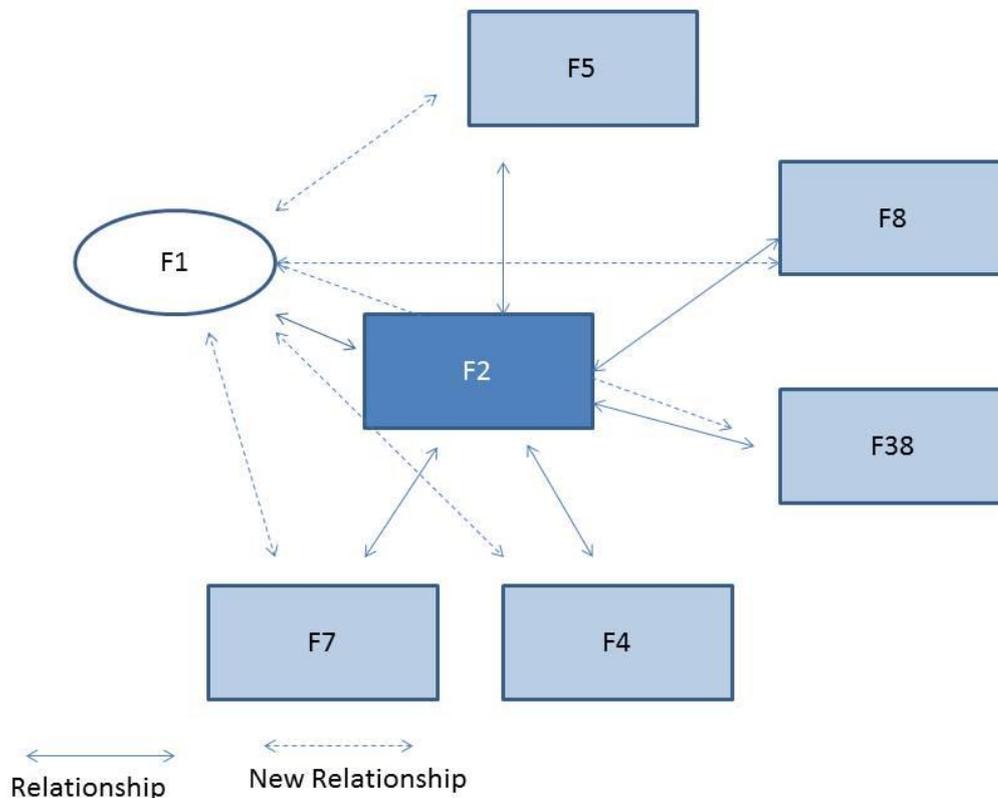
F2 buys valves and valves repair services from F1 monthly. These valves are installed by F2 in the plants of its own customers.

Through F2, F1 acquired three new customers: F5, F8 and F38. These firms are customers of F2 that suggested them F1 as “trusted” provider of high quality valves and repairing services.

At the same time the brand of F1, marked on the valves sold by F1 to F2, facilitates F2’s customers to know F1 better.

In addition to this, through the relationship with F2, F1 has provided valves to F4 and F7 that are end-user of F2. When F4 and F7 required an intervention in the plant realized by F2, this latter suggested F1 as the provider of high quality valves.

Figure 2 – The network of F2



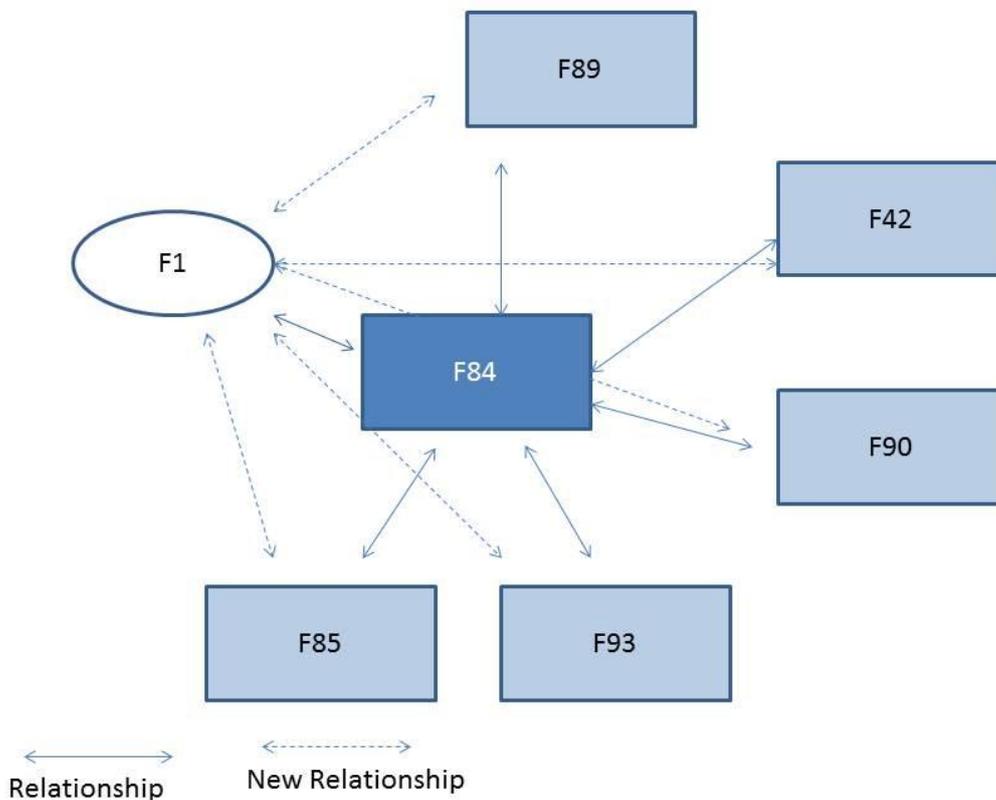
Investigating the second key relationship, F84 started its relationship with F1 in 2006. Every month F84 buys safety valves from F1.

F84 is a supplier of valve solutions for flow control. The product range includes ball valves, control valves, electric pneumatic and hydraulic actuators, control panels and pressure-temperature measurements.

F1 has a new relationship, through F84, with its customer F89. Through the relationship with F84, F1 develops a new relationship providing valves in a foreign project. The F1's positive reputation, provided by F84, pushed F89 to start a relationship with F1 (figure 3).

Moreover F1 has a new relationship, through F 84, with its customers F42 and F90. F1 has also one supply relationship: through the relationship between F84 and F93, F1 supplied its valves to F93 and F85.

Figure 3 – The network of F84



**Both F2 and F84 are considered key customers not only to their ability to directly increase sales figure.** Focal firm (F1) is interesting in the ability of these customers to provide information about markets.

F2 is considered a key customer for F1 as it increases knowledge about Italian market. In fact F2 is an important ally and it can influence the choice of its own customer in order to acquire products, services and solutions.

At the same time F84 is considered a strategic partner in order to know the new market better, in which F1 intends to operate. Furthermore, F84 allows F1 to know the Norsok Sweden certification better in order to operate in Northern market.

Both the focal firm (F1) and its two main customers (F2 and F84) recognize the great importance of intangible elements of value and focalize not only on the economic dimensions (revenue) but also on social (reputation), and relational dimensions (satisfaction, trust, loyalty). The key relationships provide several functions.

**The dyadic relationship is characterized by a high degree of interaction, cooperation and information sharing.**

Going more in depth into this perspective we can notice that the firms with which the dyadic relationship generates more interconnections are identified as those that share as drivers of value the revenue, product innovation, knowledge, reputation, and convergence of objectives. In business network firms increase capabilities and resources of a network of partners to reduce cost and to create innovative value propositions (Gulati, 2007). Furthermore through relationships firms can share different kinds of resources that generate competitive advantage. In the Industrial Network Approach resources can be identified as means through which actors develop their activities (Håkansson, 1987) and, at the same time, activities are processes that are developed in order to transform the resources created during interaction.

**We can observe a convergence of values and goals, outlining relational proximity that increases the value of offering system.**

At the beginning the key dyadic relationship was founded on geographic proximity as both firms (F1 and F2) were located in Region of Lombardy. F2 is an old customer of F1: After the Second World War, differently to its competitors that cooperated with foreign valves providers, F2 decided to start a business relationship with an Italian firm.

Moreover the development of the activity of F1 has required operating in international context. In fact F1 has developed key relationships with F84 which located in Norway. The convergence of values, the reciprocal interests, allowed F1 also to develop a key relationship with foreign actor. This relationship is very important for F1 on the base of its interest to develop a new market in Norway and others Nordic Countries.

In particular, **the common goal** of F1, F2 and F84 is to develop the activity in new markets. F2 and F84 have developed several activities in order to enter new geographic markets and sectors.

From this perspective also the relationship with F29 was very important in the past while now the interest has shifted to new market and new firm such as F40; even if it doesn't generate a high number of new relationships, it could be very important for the future perspective. In fact F1 is interested in developing its activity in this new market.

In the past, F29 supported F1 in developing activity in the new Iranian market. Nowadays the situation in Iran has pushed F1 to invest in new market. From this perspective, focusing on F40, F1 has one new relationship with customer F90. The relationships are mediated by the customer of F1 and also the process of interaction involves this intermediary.

In this way, relational proximity is related to knowledge creation and dissemination developing the exploitation of know-how (North, 1990).

**The main value** of F1 is to provide higher quality products, services and solutions. The quality value is shared also by F2 and F84.

Over time, F2 has succeeded in growing as a flexible and dynamic organisation and guaranteeing quality, reliability and professionalism. In addition, F84 is well known in Northern Countries for the quality of its offer.

Relational proximity is based on the strength and adaptability of collaborative relationships, and on trust interaction. The main dimensions of relational proximity can be so synthesized in contact (directness), time (continuity, stability), diversity (multiplicity scope), mutual respect

and involvement (parity) and purpose (commonality) (Deza and Deza, 2009). Relational proximity supports and influences the form of synergy, governance and sense of belonging (Camagni, 1991; Fischer and Frohlich, 2001).

In this context **the generation and development of new relationships is based on trust.** Trust enables cooperative behavior, and promotes and improves relationships. Trust is based on interdependence where the interests of one party cannot be achieved without the reliance of the other. As well emphasized by Gattorna (2009), a win win relationship requires trust together with the C Behavior that is a combination of cooperation, coordination and collaboration. C Behavior is essential for maintaining a business partnership linked with commitment to the achievement of shared goals. Consequently cooperation is based on, and requires, the convergence of objectives.

In the case analysed, F2 and F84 are characterized by a high level of trust in F1. When competition has increased in valves market, F2 decided to continue the key relationship with F1. Between F2 and F1 there is a high level of commitment and reciprocal learning.

Even if F1-F84 relationship is more recent than the previous F1-F2, F1 and F84 are high involved in the relationship. This latter begun in 2005 in Northern Europe and commitment and learning continue to be very high.

The key customers activate a **process of trust transferring** generating new relationships for the focal firm.

The customers of F2 and F84 decided to require F1's products and services on the basis of the F1's positive reputation provided F2 and F84. F2 and F84 operate as intermediaries of trust.

On the other hand, F2 transfers trust in F1 not only to its own customers but also to its own partners. In 1997, F2 transferred its trust in F1 to its own customer F7. In particular F2 provided a plant to F7 and suggested F1 as high quality provider of valves.

Moreover in 2005, F2 transferred trust to its own partner F5. F5 is an Italian engineering firm founded in 1957 that realize project and construction of plant for petrochemical industry all over the world. In particular F1 has been chosen as provider of the project. In 2010, F2 transferred the trust to its own customer F38. This Iranian engineering firm is specialized in planning, construction and testing of energy plant, and become customer of F1. We can therefore outline the following key interpretative issues:

**1 Several functions can be attributed to the dyadic relationship from the supplier's points of view. Going more in depth into the supplier's portfolio the key relationships are characterized by the coexistence of multiple functions, from economic function to "actor gets actor" function.**

**2 The key driver that allows a supplier to recognize the value of a customer is identified in its ability to create a bridge between the focal firm and other actors, transferring their trust development. The key customers are recognized as enablers of relationships and trust transferring.**

**3 Focusing on the relationships management approach, particular attention is given to relationships that generate the higher number of new relationships. The generating-relationships are characterized by a high attitude of learning, commitment and the convergence of goals.**

## CONCLUSIONS AND MANAGERIAL IMPLICATIONS

In order to investigate the value generated by a customer relationship in a supplier's portfolio, going more in depth into the analysis of functions that allow us to consider key customer relationships, we found the coexistence of several functions.

The key customers are thus considered as the customers that present the economic function integrated with innovation, market, scout and access functions. In addition to this the key customer is identified as the enabler of relationships that allows a trust transferring process.

The key customers are so the customer generators of the higher number of new relationships. The new relationships are based on an actors' attitude focused on learning, commitment and on the convergence of value and goals. This convergence is founded on relatedness, jointness and relational proximity. As showed by the case, the relational proximity supports, and is supported by, the convergence of goals allowing both new relationships and the enhancement of existing ones.

Moreover the new relationships are the result of the dynamics of networks related to the key customers. Overcoming geographic and cultural distances, the focal firm has been able to share and combine resources with actors localized in different areas. The cultural and geographical distances could be overcome through trust and through the capability of sales representatives to manage the relationships well.

From this perspective the development of customer's network influences the network of suppliers also involving several actors.

In a managerial perspective relevant attention should be given to the development of interpersonal relationships, as the development of personal bonds plays an important role in the formation of a relationship. The development of personal relationship is the base for the development of interorganizational ties (Håkansson and Snehota, 1995: 10). The performance of a focal firm is influenced by its ability to manage the relationship with its sales representatives and to connect the "right representative for the right customers".

Even if the development of relationships over time supports institutionalization through routines and rules, the case shows how benefits could also be generated by new relationships considering their convergence and how they are "suitable".

In this context the central role of the relatedness and relational proximity through which "actor gets actor" emerges in a relational space becoming the key driver of value generation.

## References

Anderson, J.C and Narus, J.A. (1990). A model of distributor firm and manufacturer firm working partnerships. *Journal of Marketing* Volume, 54 (1): 42-58.

Anderson, J.C., Håkansson, H. and Johanson, J. (1994). Dyadic business relationships within a business network context. *Journal of Marketing* Volume, 58 (4): 1-15.

Anderson, J.C.Jain, D.C. and Chintagunta, P.K. (1993). Customer value assessment in business markets: A state-of-practice study. *Journal of Business-to-Business Marketing*, 1 (1): 3-29.

Andersson, U. and Forsgren, M. (2000). In Search of Centre of Excellence - Network Embeddedness and Subsidiary Roles in MNCs. *Management International Review*, 40 (4): 329-350.

Araujo, L., Dubois, A., and Gadde, L.E. (2003). The multiple boundaries of the firm. *Journal of Management Studies*, 40(5): 1255-1278.

- Boschma R. (1999). Learning and regional development. *GeoJournal* 49: 339–343.
- Bradshaw, M. (2001). Multiple proximities: culture and geography in the transport logistics of newsprint manufactured in Australia. *Environment and Planning*, 33(10): 1717–1739.
- Camagni, R. (1991). *Innovation Networks. Spatial Perspective*. London: Belhaven Press.
- Cohen, W., and Levinthal, D. (1990). Absorptive capacity: a new perspective on learning and innovation. *Administrative Science Quarterly*, 35(1): 128–152.
- Cunningham, M. T. and Homse, E. (1982). *An Interaction Approach to Marketing Strategy. International Marketing and Purchasing of Industrial Goods: An Interaction Approach*, Hakansson, H. (eds.) New York: John Wiley & Sons, 328-357.
- Deza, M. and Deza, E. (2009). *Encyclopedia of Distances*, Springer-Verlag
- Dubois, A., and Araujo, L. (2004). Research methods in industrial marketing studies. In Håkan Hakansson, Debbie Harrison, & Alexandra Waluszewski (Eds.), *Rethinking Marketing: Developing a New Understanding of Markets* (pp. 207–227). Chichester: Wiley
- Dubois A., Gadde L-E. (2002). Systematic Combining: An Abductive Approach to Case Research, *Journal of Business Research*, 55 (7): 553-560.
- Dubois A. and Gibbert M. (2010). From Complexity to Transparency: Managing the Interplay between Theory, Method and Empirical Phenomena in IMM Case Studies. *Industrial Marketing Management*, 39 (1): 129–136
- Easton, G. (1995). Methodology and industrial networks. In: Möller, K. and Wilson, D. (eds.) *Business Marketing: An Interaction and Network Perspective*, 411-492. Norwell: Kluwer Academic Publishing.
- Eisenhardt, K. M. (1989). Building theory from case study research, *Academy of Management Review*, 14 (4): 532-550.
- Echols, A. and Tsai, W (2005). Niche and Performance: The Moderating Role of Network Embeddedness. *Strategic Management Journal* 26: 219–238.
- Fiocca R. and Snehota I. (1986). Marketing e alta tecnologia, *Sviluppo e Organizzazione*, 98:24-31.
- Fischer MM and Fröhlich J (2001). Knowledge, complexity and innovation systems: Prologue. In Fischer MM and Fröhlich J (eds) *Knowledge, Complexity and Innovation Systems*: 1-17. Springer-Verlag, Berlin, Heidelberg and New York
- Ford, D., Gadde, L-E., Hakansson, H. and Snehota, I. (2002). Managing networks. *Proceedings of the IMP-Asia Conference*. Perth: Curtin University.
- Gemünden, H. G., P. Heydebreck and R. Herden (1992). Technological interweavement: A means of achieving innovation success. *R&D Management*, 22 (4): 359-376.
- Gemünden, H. G., Ritter, T., and Heydebreck, P. (1996). Network configuration and innovation success: An empirical analysis in German high-tech industries. *International Journal of Research in Marketing*, 13(5): 449–462.

- Gill, J. and Butler, R.J. (2003). Managing instability in cross-cultural alliance. *Long Range Planning*, 36: 543-563.
- Greunz, L. (2003). Geographically and Technologically Mediated Knowledge Spillovers between European Regions. *Annals of Regional Science*, 37: 657-680.
- Gulati, R. (2007). *Managing Network Resources: Alliances, Affiliations, and Other Relational Assets*. Oxford University Press
- Håkansson, H., and Snehota, I. (1995). *Developing relationships in business networks*. London: Routledge Edition
- Håkansson, H., and Snehota, I. (2006). No business is an island: the network concept of business strategy. *Scandinavian Journal of Management*, 22(3): 256–270.
- Håkansson, H., and Waluszewski, A. (2002). *Technological development. IKEA, the environment and technology*. London and New York: Routledge.
- Håkansson, H., Ford, D., Gadde, L. -E., Snehota, I., and Waluszewski, A. (2009). *Business in Networks*. Chichester: Wiley.
- Håkansson, H. (1987). *Industrial Technological Development: A Network Approach*. London, Croom Helm
- Halinen, A. and Törnroos, J.-A. (2005). Using case methods in the study of contemporary business networks. *Journal of Business Research*, 58 (9): 1285-1297.
- Hallén, L., Johanson, J. and Seyed-Mohamed, N. (1993). Dyadic business relationships and customer technologies. *Journal of Business-to-Business Marketing*, 1 (4): 63-90.
- Hansen, M.T. (1999). The Search-Transfer Problem. *Administrative Science Quarterly*, 44 (1): 82-111.
- Holmlund, M. and Kock S. (1995). Buyer Perceived Service Quality in Industrial Networks. *Industrial Marketing Management* 24: 109-121.
- Järvensivu, T. and Törnroos, J.-A. (2010). Case study research with moderate constructionism: Conceptualization and practical illustration. *Industrial Marketing Management*, 39 (1): 100- 108.
- Kalwani, Manohar U. and Barayandas, N. (1995): Long-Term Manufacturer- Supplier Relationships: Do They Pay Off for Supplier Firms? *Journal of Marketing*, 59 (1): 1- 16.
- Kirat, T. and Y. Lung (1999). Innovation and proximity. Territories as loci of collective learning processes. *European Urban and Regional Studies* 6(1): 27-38
- Knoben, J. (2008). *Firm mobility and organizational networks*. Cheltenham: Edward Elgar
- Kothandaraman, P. and Wilson, K. (2001). The Future of Competition – Value Creating Networks. *Industrial Marketing Management* 30: 379-389.
- Lejeune, C., and Vas, A. (2009). Organizational cultural and effectiveness in business schools: A test of the accreditation impact. *Journal of Management Development*, 28: 728-741

- Mainela, T. and Puhakka, V. (2008). Embeddedness and networking as drivers in developing an international joint venture. *Scandinavian Journal of Management*, 24(1): 17-23.
- Mandjiak T. and Durrieu F. (2000). Understanding the non-economic value of business relationships, 16th IMP-conference in Bath, U.K.
- Naude, P., Mouzas, S. and Hennebrg S. (2006). Network pictures: concepts and representations. *European Journal of Marketing*, 40(3/4): 408-429.
- Naude, P., Mouzas, S and Henneberg, S C. (2008). Developing Network Insight. *Industrial Marketing Management*, 37(2): 167-180.
- North, D. (1990). *Institutions, Institutional Change and Economic Performance*, Cambridge: Cambridge University Press.
- Piekkari, R., Plakoyiannaki, E. and Welch, C. (2010). 'Good' case research in industrial marketing: Insights from research practice. *Industrial Marketing Management*. 39 (1): 109-117.
- Ramirez, R. (1999). Value Co-Production: Intellectual Origins and Implications for Practice and Research. *Strategic Management Journal*. 20: 49-65.
- Schamp et al. (2004). Dimensions of Proximity in Knowledge-based, Networks: The Cases of Investment Banking and Automobile Design” *European Planning Studies*. 12 (5): 607-624.
- Schulter M. and Lee D. (2009). *The relational manager*. Oxford, England: Lion Books.
- Sternberg R. (1999). Innovative linkages and proximity: empirical results from recent surveys of small and medium sized firms in German regions. *Regional Studies*, 33: 529-540.
- Torre, A. and Rallet, A. (2005). Proximity and Localization. *Regional Studies*, 39(1): 47-59.
- Ulaga, W. and Eggert, A. (2001). Developing a Standard Scale of Relationship Value in Business Markets. 17th Annual IMP Conference Proceedings, Oslo: 1-18.
- Ulaga, W. and Eggert, A. (2006). Value-based differentiation in business relationships: Gaining and sustaining key supplier status. *Journal of Marketing*, 70(1): 119–136.
- Walter, A., Ritter, T., and Gemunden, H-G., (2001). Value Creation in Buyer-Seller Relationships. *Industrial Marketing Management* 30: 365-377
- Wikstrom, S. (1996). Value Creation by Company-Consumer Interaction. *Journal of Marketing Management*, 12: 359-374.
- Wilson, D.T., and Jantrania, S. (1994). Understanding the Value of a Relationship, *Asia-Australia Marketing Journal* 2: 55-66.
- Wuyts, S., Stremersch, S., Van den Bulte, C. and Franses P.H. (2004). Vertical Marketing Systems for Complex Products: A Triadic Perspective. *Journal of Marketing Research*, 41 (November): 479-487.
- Yin, R.K. (1994). *Case Study Research, Design, and Methods*, 2nd edition. Newbury Park. CA: Sage Publications.
- Yin, R.K. (2003). *Case Study Research: Design and Methods*, 3rd edition. London: Sage Publications.