

Markets Practices and Relationship Value

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Abstract

This paper is aimed at exploring how relationship value can be conceptualized in the context of market practices. Recent research on value has highlighted the importance of how actors' interpret and frame value, i.e. value representations. It is evident that value representations are pivotal for value creation processes in business relationships. Surprisingly, however, the two streams of literature remained unrelated; there is no research, neither theoretical nor empirical, which attempted to establish a connection among them. In a parallel stream of research debate around market practices- exchange, representational and normalizing practices - and their role in shaping markets, is growing rapidly. Eventhough, attention has been devoted more on the practices that contribute to create shared ideas of market, i.e. representational practices, rather than to representations in themselves.

In this paper we integrate the two streams of literature on relationship value and market practices in order to provide an explanation of value related processes in business network. Empirically we studied the case of the formation of a new actor, a distributor, in the ICT Security industry. In order to explore the different actors' value representations and the value practices involved in the formation of the new actor, we carried out 17 interviews with vendors, distributors, system integrators, resellers and final customers. We also attended a meeting where the two main actors involved in the project discussed the setting of the new distributor.

We find out that to explain value creation in networks both value practices and value representations should be jointly considered, due to mutual influences between them. It follows that market practices literature should take much more into account the role representations along with practices in the formation of markets and literature on value should better understand how actors' representations of value are linked to practices aimed at value creation.

Keywords: value, market practices, representations, actors, ICT Security.

1. Introduction

The concept of value is and has been at the center of practice and theory in economics as well as management (Drucker, 1973). The assumption that value matters for the behavior of various market actors is commonly held as a prerequisite for explaining any business activity. Holbrook (2006: 211) sums up the role of value in marketing when he suggests that marketing is a “*value-creating endeavor*”. Thus, as long as we assume, or continue to assume, that value matters for the behavior of various market actors, the value concept and its essence remain important research issues. However, while intuitively appealing, value is in many authors’ opinion an elusive and slippery concept (see for instance Hartman, 1967; Woodruff, 1997; Wilson, 2003; Payne, Storbacka and Frow, 2005; Flint, Blocker, and Boutin, 2011; Sánchez-Fernández and Iniesta-Bonillo, 2007).

Managers and scholars agree that a company must create value for its customers (and other exchange partners) as a necessary condition for survival and success: the primary aim of a business is to create value (Conner, 1991). Customers assess the overall value of a product or offering by comparing their perceptions of what is given (their sacrifices) and what is received (their benefits) (Zeithaml, 1988). The target users’ subjective assessment of the novelty and appropriateness of a new task, product or service, affects the potential value-in-use and thus the exchange value to the user (Lepak, Smith and Taylor, 2007).

In business-to-business marketing, the diffusion of the relational view of markets has set in motion considerable efforts to re-think value-creating processes, acknowledging that value originates in long-term business relationships, rather than being embodied in products or services transacted between buyers and sellers (Gronross, 1997). Therefore, according to Lindgreen and Wynstra (2005), research on value can be divided into two streams: the value of goods and services, and the value of buyer-seller relationships; the latter being more prominent in the business marketing literature.

In business markets creating value in customer-supplier relationships implies other priorities and criticalities than the traditional linear logic of conceiving, producing, and delivering value would suggest. Rather, a conceptualization of value creation in business relationships has to reflect the nature and characteristics of the interaction process in which relationship value is created (Corsaro and Snehota, 2010;

Grönroos, 2010). Value originates in the constant interactions between actors as agents for the organizations that are part of the relationship (Ford et al., 2003; Håkansson et al., 2009; Håkansson and Snehota, 1995); however, within this dyadic customer/supplier value interaction space, both parties are also involved and embedded in wider business networks (Edvardsson, Tronvoll, and Gruber, 2011).

Along with literature trying to describe and explain value creation processes in business relationships and networks, recent studies have highlighted the importance of actors' perceptions of the value of business relationships, i.e. what we called value representations; on that Corsaro and Snehota (2010: 993) asserted "...*We need to understand better how perceptions of value are formed and how they guide behaviors in interaction. In other words, we need more studies on how the perceptions concur in shaping value outcomes of business relationships*". However, until now how value representations relate to value creation still remains an open issue and new interpretative frameworks are required in order to better understand value related processes in networks. Among them, we chosen the 'market as practices' lens.

In the last years, a growing body of literature has in fact started to re-thinking the role of markets in terms of market practices (Kjellberg and Helgesson, 2007). Market practices are all activities that contribute to constitute markets and can be divided into three main categories: exchange practices, concrete activities related to consummation of individual economic exchanges, representational practices, which consist in the activities to depict markets and/or how they work so as to produce unambiguous images of the market (Kjellberg and Helgesson, 2006) and normalizing practice that contribute to define guidelines for how a market should be (re) shaped or work according to some (group of) actor (s). In this stream of literature social reality is "produced and stabilized in interaction that is simultaneously material and social" (Law & Urry, 2004: 395) and markets should be studied in the making, rather than as ready-made. According to Kjellberg and Helgesson (2006) market practices bring together acting based on different representations and engaged in divergent market practices, each of them attempting to shape the market in different fashion. Thus, it is also expected business practices to be multiplex and to contain some degree of incoherence, generating tensions and controversies (Kjellberg and Helgesson, 2006). Notwithstanding some authors have started to highlight the role of how actors represent the markets, the effects of these representations on practices remain ambiguous. Many of them, in fact, discuss the role of representational practices as

aimed portraying markets and the way they work to produce shared images (for instance firm presentations and market analysis) (Storbacka and Nenonen, 2011: 7). But they do not refer to the role of these representations themselves. In the 2010 call for paper ‘Representing multiplicity of markets – multiple representations of markets’ (Geinger and Spencer, 2011 - IMP Conference, Budapest), relevant research questions were posed in order to shed light on actors and their representations: “How does the way actors see the markets affect what do they actually do when they perform markets? How these individuals and collectives represent their own and other activities within the frame of markets? How representational practices influence how exchange happens? How do common or conflicting market representations help or hinder the market shaping process, and the destiny (success or failure) of individual or collective actors in the market? How do or can these different or common representations themselves serve as a means for shaping the market? From these considerations it is evident the research gap on the role of representations in the market practices stream of literature.

By integrating the two streams of literature on relationship value and market practices, in this paper we will explore if and how value creation processes in business networks can be analyzed and be better understood in terms of practices and representations. To highlight the integration between the two fields, we will use the terms value practices and value representations. The purpose of this paper is thus two-folds: on the one side it will contribute to the stream of literature on relationship value by adopting a ‘market practice’ view; on the other side it will further develop theory on market practices by better understanding the role of representations in the practices aimed at value creation. In this sense this is the first study that attempts to integrate literature on value with literature on market practices. On that Storbacka and Nenonen (2010) just asserted that actors’ mental models affect value creation practices and, consequently, the market practices that network actors are engaged: market practices are results of the individual market actors’ business models and the value-creating practices that they are involved in” (2010: 4). Also they define exchange practices as practices through which value propositions are being communicated, refined and agreed upon, leading both to the re-configuration of resources within the network to actualize the value proposition, and the potential financial translation (Storbacka and Nenonen, 2011). Even though, Payne et al. (2008) stressed the need for a practical and robust process-based value co-creation framework, which includes the processes,

resources and practices of interaction and exchange that take place within customer and supplier relationships.

Empirically we have explored the value practices and value representations related to the development of a new actor, a distributor, in the ICT Security Industry. To do that we interviewed the different participants involved in the project, for a total of 17 in depth semi-structured interviews plus a direct observation of a meeting during which the setting of this new actor has been discussed.

The article is so composed: In the sections 2 and 3 we will review the literature on value and on market as practices. In section 3 we will explain the methodology of the study and in section 4 the main findings. Conclusions and implications for research and practice follow in section 5.

1. Background on value

1.2 Value creation in business relationships and networks

The literature on value is clearly dominated by the recent shift from the idea of value based on exchanged products and services, towards the idea of value related to business relationships (Lindgreen and Wynstra, 2005; Wilson, 2003; Terpend et al., 2008). Value is not limited to the object of exchange (as product, service, and process components can be easily imitated by competitors), but it needs to incorporate the value aspects of the relationship between companies. Anderson, Jain and Chintagunta (1993) initially developed this argument by pointing out that economic, technical, and social benefits generate monetary value for a buying firm in exchange for the price paid for a product or service. Although no explicit reference is made to relationship value as such, their argument starts to identify and conceptualize the relationship dimensions of the value construct connected with and emanating from the social and interactive benefits of relationships. Scholars have asserted that value emerges from the consumption, judgement and confirmation made by the customer in the marketplace (Lusch et al., 2010; Vargo and Lusch, 2004; Ballantyne and Varey, 2006), in line with a *value-in-use* approach. Accordingly, value emerges as an outcome of using goods and services, and hereby becomes clearly manifested in the consequences for the market participants of the relational interaction (Gronroos, 2010;

Ballantyne and Varey, 2006). This is in contrast with the traditional idea of value, i.e. *value-in exchange* (Zeithaml, 1988; Monroe, 1990), according to which value is delivered to customers through market offerings.

Value-in-use concepts are therefore based on both the supplier's attributes and customer's usage processes, as well customer's evaluation of the value-in-use obtained (Mac Donald et al., 2011). The argument therefore is that value originates in the coupling and linking of resources, activities, and actors of the supplier and customer organizations that are parties in the relationship. It has its origin in sharing and integrating of resources, especially immaterial skills and knowledge, between the supplier and the customer organizations to create a solution of value for either of the parties to the relationship (Grönroos, 2008; Lusch and Vargo, 2006; Vargo and Lusch, 2008).

But value creation also reflects how the two businesses are connected to the wider network of resources, activities, and actors in their business context. This refers not only to the customer, but to the organizations' partners throughout the value network as well, their collaboration with other entities and integration of resources so as to provide a solution from a combination of specialized competences and complex services (Cova and Salle, 2008; Gummesson, 2006). In line with this notion, recent research has defined a value network as "*a spontaneously sensing and responding spatial and temporal structure of largely loosely coupled value proposing social and economic actors interacting through institutions and technology, to: (1) co-produce service offerings, (2) exchange service offerings, and (3) co-create value*" (Lusch et al., 2010: 20). Network resources provide important sources of value differences among firms (Ahuja, 2000). Value is created from the evaluation, manipulation and deployment of resources occurring in the firm's environment context (Lippman and Rumelt, 2003), i.e. the network. Sirmon, Hitt and Ireland (2007) link value creation in a dynamic environmental context to the management of firm resources, and identify the following processes: structuring the resource portfolio; building resources to build capabilities; leveraging capabilities to provide value for customers; gain a competitive advantage, and create wealth for owners.

This idea has been further developed by Ballantyne et al. (2011), who define value propositions as multi-sided, or reciprocal: the actors participate in interactive communication processes, where customer requirements emerge through a mutually creative constructed dialogue. "*Value is derived from the service experience of the*

particular actors in interaction...” and “... *the quality of the relationship is emergent, derived from the experience of interacting together over time.*” (Ballantyne and Varey, 2006: 337).

Value originates in the interaction between actors as agents for the organizations that are part to the relationship (Ford et al., 2008; Håkansson et al., 2009). The argument here is that the interacting parties face uncertainty, which makes the interaction a confrontation that can produce novel solutions of value and permits a temporary stabilization. These lines of reasoning also point to the dynamic nature of value creation, which earlier was explicitly recognized by some researchers (see for instance Liljander and Strandvik 1995, Parasuraman, 1997, Flint et al., 2002; Eggert et al., 2005; Beverland and Lockshin, 2003; among others).

1.2 Actors' value representations in business relationships and networks

Over time several scholars have proposed scales (i.e. sets of benefit and cost dimensions) to measure the value created by business relationships for customers or suppliers (Ulaga and Eggert, 2006; Hutchinson et al. 2011; Cater and Cater, 2009); in other words these dimensions are also the drivers for value creation in business relationships (e.g. product quality, delivery performance, service support, personal interaction, supplier know-how, time to market, etc. See Ulaga and Eggert, 2006).

On a different position are Corsaro and Snehota (2010) who recently argued that if value consequences are generated during the course of interactions they should not be treated as structural by reducing the content of a relationship to a given set of dimensions, rather “If we accept that value perceptions are actor specific, bounded, interdependent, and therefore in perpetual change, it becomes obvious that assessment of relational outcomes cannot be based on a given set of criteria reflecting the content and form of relationships” (Corsaro and Snehota, 2010: 996). Thus the value created in a business relationship depends more on how each actor perceives and interprets value, rather than on the objective assessment of the cost/benefit consequences of interaction. It follows that value tends to become a construct of individual perceptions rather than a function of the attributes of a certain offering or of a certain relationship. The value concept as treated until now does not reflect the complexity of customers' perceptions of value; “in particular, they fail to take into account of the numerous

intangible, intrinsic, and emotional factors that form part of the construct” (Sanchez-Fernandez and Iniesta-Bonillo: 441), while the issue to which perceived value is situational and context-dependent still remain open.

Recently Mac Donald et al. 2011 applied a goal hierarchy in the form of a cognitive map (Huff, 1990) and proposed a conceptual framework for assessing value in use based on both the supplier’s attributes and customer’ usage processes, as well customer’ evaluation of the value in use obtained. Companies should invest time and effort in recognizing and reconciling competing viewpoints among users of what is valuable and also help customers to perceive and experience maximum use value (Priem, 2007).

In Service-Dominant Logic research it has been arguing with force that “value is always uniquely and phenomenologically determined by the beneficiary” and thus “idiosyncratic, experiential, contextual, and meaning laden” (Vargo and Lusch, 2008: p. 7). Then it becomes apparent in the context of business relationships that value is a product of individual perceptions rather than a function of the qualities or attributes of a certain offering (Lamont, 1955) or of a certain relationship (Corsaro & Snehota, 2010). An important point is that value representations are enacted by parties while they interact; even looking at the same object (e.g., product, relationship, etc.) each party will thus develop its own idea about which are the key dimensions of the perceived value.

Recently Storbacka and Nenonen (2010, p. 2) translated the logic of sense-making to marketing context and concluded that “markets are socially constructed human artifacts created by the actors who populate and link resources in a specific context....in order to create value”. The implication of the socio-cognitive nature of value is that any possibility of objective determination of value is ruled out.

Penaloza and Venkatesh (2011: 303) assert “Value is constituted by marketers and consumers in their activities and discourses via an enacted process, a social construction that take place prior to, during and after the actual exchange and use(s) take place”.

Edvardsson et al. (2011) further developed this position. The authors integrated central aspects of Service Dominant Logic with key concepts from social construction theories (social structures, social systems, roles, positions, interactions and reproduction of the social structures) and contended that since value is a social construction, it should be understood as value-in-social-context. Value is a social

construction which occurs prior to, during and after actual exchange and use(s) take place; “value creation is shaped by social forces, is reproduced in social structure and can be asymmetric for the actors involved” (Edvardsson et al. 2011: p. 327). In this regards Deighton and Grayson (1995) claimed that the value of products depend upon the degree of social consensus about such value. When posit in a social context, an individual actor becomes an inter-subjective actor and a resource integrator; the only way to understand reality is as a social construction that can be articulated as result of human sense- making activities (Walsham, 1993).

Realizing that in the customer/supplier value configuration space, both parties are involved in wider networks (Edvardsson et al. 2011), it can be affirmed that when customers and suppliers interact, they do so on the understanding that their respective perceptions of reality are related.

2. Background on markets practices

2.1 The general theory

Studies in economic sociology and marketing have started to identify markets more and more as emergent orders, constitute by ongoing-practices (Barry and Slater, 2002; Callon, 1998). In social science, practices have been defined as embodied, materially enabled sets of human activities organized around shared practical understandings. Emerging literature on how markets are performed in practice is rooted in practice theory (Reckwitz, 2002; Schatzki, 2001) and actor-network theory (Callon and Muniesa, 2005; Chocoy, 2008). In the IMP these theoretical insights have been party translated in the “markets as networks” approach (Mattsson, 1987; 2003).

In this stream, marketing is itself defined as a performative science, that is a science that arise in and through practice (Callon, 1998 a;b; Cochoy, 1998) and where the performativity of market theories is how ideas about markets (but also marketing tools) take part in shaping markets (Callon, 1998). Following a performativity definition, it is impossible to describe all properties of a given phenomenon, but it is only possible to catch the most relevant ones in practice (Czarniawska, 1993).

Araujo et al. (2008) follow a performative idiom rather than a representational one (Pickering, 1995) by focusing on the emergent and unfolding practices that actors engage to construct and problematize markets. The authors define market practices as ‘the bundles of practices including material arrangements that contribute to perform

markets' (2008: 8), where markets are shaped by multiple and distributed calculative agencies. Markets are in the making, rather than as ready-made: "Markets should be studied as sites of multiple and often conflicting practices, and attention should be directed towards the forms markets take as results of the efforts to shape them" (Araujo, 2008: 6). The shaping of markets is a continuous process. Following this perspective, the modes of exchange have been defined as specific combination of practices that together produce an economic exchange (Lie, 1992), even if the link between modes, objects and agents of exchange remains empirically unexplored (Kjellberg and Helgesson 2007: 36). In their study on the introduction of self-service in the Swedish post-war food industry the author discover that a configuration of a mode of exchange was not determined by the characteristics of the objects of exchange or by the capacity of the agents of exchange, rather from the intertwining of these elements.

In particular Kjellberg and Helgesson (2007) define market practice as all activities that contribute to constitute markets. The authors identify three types of practices:

- *Exchange practices*: they are concrete activities related to consummation of individual economic exchanges (Alderson and Cox, 1948); buyers and sellers engage in them in order to stabilize, at least temporarily, the objects, model and agents of exchange (Callon and Muniesa, 2005).
- *Representational practices*: they consist in the activities that contribute to depict markets and/or how they work. The making of re-presentations contribute to shape the phenomena they represent (Latour, 1986). Representational practices "are means for market actors to make their business models visible, also for those market actors with which they currently have no direct interactions" (Storbacka and Nenonen, 2011: 7).
- *Normalizing practices*: activities that contribute to define guidelines for how a market should be (re) shaped or work according to some (group of) actor (s).

Translation practices are then the practices that links the three types, and make them to be conceived more as dense areas of activity, rather than distinct classes of practices. Translation practices span the three categories. Normalizing practices produce translations of 'rules and tools' and 'measure and method of measurements'; exchange practices generate translations in terms of 'interests' and 'measurements' and finally representational practices into 'results' and 'descriptions'.

2.2 Agents and Representations in the market as practice perspective

Central to this view of markets is the role of agents. Agents are important in shaping markets (Kjellberg and Helgesson, 2007); since it is impossible to define the list of properties that is typical of markets, attention should be directed to how actors are able to do so in practice (Czarniaska, 1993). As Hagberg and Kjellberg (2010) state a shift from marketing principle to marketing practices should correspond to an increased sensitivity to diversity among agents involved in its performance.

The issue of how ideas partake in shaping markets has been so neglected and there is an important need to take into serious consideration the role of representations in the making of markets (Kjellberg and Helgesson, 2007: 138). Representations are strictly connected to performativity, as the making of representations contributes to the shaping of represented phenomena.

Kjellberg and Helgesson (2007:36) explore the link between specific practice constituting that mode of exchange, and the objects and agents involved in these exchanges. Following these perspective, modes, agents and object of exchange should be constituted by market practices.

When referring to agents and market practices, the concept of multiplicity emerges central. Multiplicity has been defined in organization studies as the presence of multiple meanings and denote differences in interpretative framework (Weick, 1995; Daft and Weick, 1994). Since theories shape interpretative frames, social science maintains separated the ideas from reality. Following market practice scholars, instead, there are not multiple perspectives on a single reality, rather there are multiple realities, and there are unfolding successions of practical translations linking ideas and realities in concrete ways. In other words, ideas and practices are interrelated through supple chains of practical translation (Kjellberg and Helgesson, 2006). Related to this, Kjellberg and Helgesson (2006) assert that the reasons underlying market practices as characterized by multiplicity are three: individual market actors do not act only following one market perspective, but they can be involved in different market practices that appear to be inconsistent from the outside; second markets practices involve different actors who can have different representations of the relevant surrounding; third many actors undertake actions based on varying definition of the relevant environment.

Thinking in terms of market practices, however, also involves a paradox: on the one side multiple and often contradictory versions of the market co-exist and compete with each others for supremacy; on the other these multiple versions need to be at least partially reconciled for markets to work (Azimont and Araujo, 2007). Reality can thus be different things, as different versions of the same object are enacted through different practices (Mol, 2002) as different exchange, normalizing and representational practices may simultaneously perform different versions of the same market.

Mouzas (2011) asserts that different actors, through their frames, may have multiple versions of an object, and these representations could create a barrier to the formation of a new market. According to Schjoedt and Ryan (2011) multiple views of the market can cause tensions and trade-offs within the firm, also considered the multiple perspectives on the market as held by the other relevant market actors. The authors also sustain the need to understand how ideas of the market transform into practice or how practice contribute to modify norms or representations of the market.

Esbejerg (2010) states that in order to coordinate action, actors have to develop shared understandings of important concepts, which do not refer to overlapping content, but to the often implicit narratives that serve as an interpretative context. By studying the potatoes industry, he discovers that actors along the marketing channel only partially share common representations of it. Also, *“the representations actors have constructed regarding the market for potaties as a whole and about the others are enacted in exchange practices”* (Esbejerg, 2010: 10). Some of the activities actors perform in the potatoes market sustain codified representations, while others are in contrast and challenge prevalent representations of the markets. Eventhough, not all these activities are market-shaping events.

However, at the same time in the same stream of literature on market practices there are also different opinion; Andersson et al. (2011) in their last study on the configuration of actors in market practices push the role of material agency rather than of human agency, *“a practice perspective must be able to deal with action-reaction sequences without resorting to models based on the cognitive capacities of actors”* (: 70). These authors are more interested in finding ways for addressing practical interactions rather than discovering how actors make sense of them. Also they see actors as entities to which actions are ex-post ascribed. Andersson et al. (2011) also state: *“A shift in attention from market principles to the practices that*

constitute markets requires tools for understanding action–reaction sequences without resorting to models based on the cognitive capacities of actors”. Adopting a practical constructivist position, on the contrary of social scientists, scholars from this field assume that ideas about market are not separated from real markets, rather they affect them.

It follows that in the literature on market practices a certain ambiguity on the role of actor’s representations exists. Applying the market as practices perspectives to the stream of literature on relationship value, we will attempt to clarify the role of representations and practices for value creation.

3. Method

3.1 The research context

The research context of this study is ICT Security technology, a business that is becoming more and more important in modern economy, and thus of increasing interest for scholars too. Technologically rich society in which we now live has created a vulnerability to new and previously unforeseen threats. The internet use have increased from 16 million in 1995 to 1.7 billion users today and a greater dependency on wider telecommunication networks and computer systems is expected to increase significantly in all sectors in the next 5-10 years (source: <http://www.publicserviceevents.co.uk/195/cyber-security>).

ICT Security is thus an expanding market characterized by very complex elements, both on a technological and on a relationship level, and these conditions have often determined problems in supplier/customer relationships. We believe that the analysis of a particularly complex business to business market, in which the routine element of the relationship tends to the management of very complex, changeable and interactive relationships, can offer more starting points to think relationship value over, as well as the role that the different interpretation of value creation processes.

Security is an important theme as it has an impact on company performance both directly, through money, sensible information, intellectual property thefts, interruption of the activities and final customer disservices, and indirectly, in terms of non-sale, legal exposition, difficulty to enter into contracts, decrease in brand value, loss of credibility and, more generally, of competitive advantage.

In particular in this study we will present the case of the creation of a new actor, a distributor of ICT security solutions.

3.2 Research approach

The research on relationship value and market practices is unexplored. Thus, there are no consolidated methods for carrying out such explorations. To overcome this difficulty and to increase the study's internal and external validity, a multi-methods/multi-stages approach is applied. With respect to the first aspect (multi-method), it will enable a triangulation, which involves integrating multiple data sources in a multi-method design—as recommended by Jick (1979). Multi-method approaches can provide richer sources of data and explanations of observed phenomena, and more robust theoretical understandings (Jack, 2010). More in general, the use of multiple methods to investigate the same phenomenon can produce robust findings that are “*far more compelling than single method outcomes*” (Stewart, 2009: 382).

As for the multi stages aspect, following Davis et al. (2011)'s classification, a ‘development’ approach will be applied: “*When equally weighted methods are implemented sequentially, the second method is used for the development of findings from the first method. The researcher's intent is to use the results obtained from the first method to inform a subsequent study, thereby expanding the insights generated about the research problem. Results are reported separately for each phase of the study, followed by a general discussion that ties them together by comparing and contrasting findings.*” (Davis et al., 2011: 468).

In particular we will explore the case of the creation of new actor, a distributor, in the market of ICT Security. The two main actors involved in the project are Saxa, a system integrator, and Tio, another distributor.

Saxa is a system integrator, focusing on the planning, development and maintenance of advanced technological solutions. In 2003 the company entered the security business. The mission of Saxa Security division consists in identifying cutting-edge solutions on the international market, transforming them into valuable products and services for the local market. Saxa searches new solutions on the international market, especially Israeli one, which it can then bring to Italy in order to create a market for them.

The second company is Tio, a distributor that during the last years has strongly invested in ICT Security, as in the ICT landscape it is now the most rewarding business. Examples of these software solutions brought in to Italy are: data base protection systems; file audit (solutions aimed at monitoring what employees do with files on the company's servers); accelerators of web applications, and many others.

Saxa has made up a team of high-level consultants with international experience in the definition and management of secure ICT architectures. This company is positioned in the high target of the market where, addressing to selected niches, it is possible to obtain high unit margins through the supply of advanced solutions. Basic solutions represent a minimum part of the business of this company.

As Saxa, Tio looks for solutions on the Israeli market, establishes relationships with Israeli vendors, and tries to push these solutions along Italian channels. Once it identifies new technological solutions it presents them to re-sellers which, in turn, sell these solution to final customers (other companies in need for security).

Thus there is a commercial relationship between the vendors and Tio which, as channel developer, gets a commission for its sales in Italy. To better accomplish this function, Tio also hires country managers from vendors' companies; it happens that vendors want to have country managers locally even if they have no capacity to manage them directly. Country managers from the Israeli vendors work to promote the Israeli solutions toward resellers in the Italian market.

This research is thus divided into two main phases; the first has been aimed at exploring the different representations that actors have of value creation and value destroying processes in the ICT security market and the practices related to the formation of the new distributor, Yoram. More specifically, we carried out in total 16 interviews and for the most important actors involved, Saxa and Tio: 2 interviews at Saxa (General Director and Marketing Manager), 2 interview at Tio (General Director and Sales Manager), 3 vendor companies (Country Managers), 3 resellers, 3 distributors and 3 interviews with final customers (ICT Security managers).

The second phase consisted instead in a direct observation. The researcher took part to an important meeting between Saxa and Tio where they confronted on different issues related to the creation of Yoram.

To analyze the data we used the classification among exchange, representational and normalizing practices, as in Kjellberg and Helgesson (2006).

4. The case

The first part of the data collection has been dedicated at exploring the different representations that the main actors directly or indirectly involved in the creation of the new distributor, Yoram, have. We called these value representations because they include the elements that according to the actors contribute to create value in the business network.

4.1 The different actors' perspectives

Saxa and Tio's value representations

According to Tio its value network is not working properly as there is an element which more and more frequently is destroying the value created and the potential value to be created. In fact, it happens that foreign vendor companies are often acquired by other vendors which already have a market in Italy, like IBM; when this happens the channel developer (Tio) loses the business because these vendors already have their own channels and use them.

As Tio pre-sales manager affirmed: *"I worked six months to create a market and build channels to sell an Israeli database protection solution - Centrigo; at a certain point the Israeli company has been acquired by McAfee, which obviously already had its channels, its distributors, its resellers. We lose the business."*

Saxa, instead, perceives another problem toward vendors which can limit value creation; Saxa has to deal with the risks of credit, because the vendor pays the system integrator only when it gets money from the final customer. Therefore, Saxa has to pay the vendor within 30 days while it receives money from customers after 120 days, so there 90 days uncovered: *"When dealing with the final customer we have to face the risk of credit, while Tio has not; Tio employs the country managers from the vendor companies and also has the money dedicated to pre sales activities back from the vendor. Furthermore, Tio just gets a percentage of sales, so the worst thing can happen to it is not to earn money, while in our case we can lose the money"*.

Saxa has no reimbursement from the vendor on pre-sales activities, as this is part of the investment that it does in the solution.

As for how the two actors position themselves in the value chain, according to Tio Saxa is at the same time a reseller, which sells to final customers, and a customer itself. Tio tries to convince Saxa and the other resellers to push and promote its solutions toward the final customers. Also what is interesting is that Tio does not talk about system integration when referring to Saxa, while this is its main value creation activity: the company, in fact, compared to other actors which have similar positions in the value network, do not just now move the solution from one actor (distributor) to another (final customer), but it also increases this value by integrating the solution with other technological components and by adding new services that allow a better adaptation to the customers' needs.

On the other side, Saxa feels to be in competition with Tio. As Tio, in fact, Saxa interfaces with Israeli vendors in order to develop contracts with them and bring their technological solutions in Italy. Saxa deals directly with final customers, but it cannot reach all these customers, both because it has no capacity to cover the entire national territory and because it has not relationships with all of them. Thus it needs to establish collaborations with other resellers that helps to reach customers. In this sense Saxa also carry on some activities as channel developer, even if this is not part of its core business as it is for Tio, but this is why it feels the competition with Tio. The difference with Tio's activity is however that Tio can try to establish relationships with all the resellers, while Saxa, dealing directly with final customers, should do that only with the resellers it already has a trusty relationships, otherwise it will enter in competition with them. It is very common that this competition is perceived and this creates difficulties limiting the possibilities for value creation. Tio, on the contrary, do not have relationships with final customers.

More in general, the fact that Saxa pursues not only activities as a reseller (specifically as system integrator) but also activities as a distributor is creating conflicts in the channel.

Summing up, both the two main actors, Tio and Saxa, perceive that there is a problem in their value network. Tio: *"We need to increase our bargaining power toward the vendors in the network and to improve our positioning in order to get more value from the system and what is most important to avoid destroying it"*. Saxa instead asserts: *" We have a problem in creating a channel for the Israeli solution, as the other resellers perceive us as a competitor and this can create problems"*. In the past

Saxa started collaborations with some resellers, but in those situations the management of relationships has been quite taught, because both Saxa and the reseller were interested in working directly with the customer; at the same time for Saxa finding new customers is very difficult as not all operators know Saxa on the market and thus they could be diffident toward what they perceive as a new reseller.

Compared to Tio's problem, Saxa wants to eliminate competition, it is not interested in gaining more bargaining power even because dealing with the customers it already has it.

As for the type of technologies to introduce in Italy, the two actors this time agree on the fact that they are interested only in technologies which are extremely new because once these become a standard, then their added value is marginal.

The vendor's value representations

Apart from developing the technology, these vendors support the pre sales activities by presenting the solution to resellers and customers and developing pilot projects; also when needed it comes in Italy and does the first installation of the product. In addition to this the vendor provides some resources for marketing activities and more in general to provide support to their solutions. The country manager in one Israeli asserted "*As Vendor we are only interested in who brings the business, we just want to gain money and this is why it could happen that once we understand how the market works, we decide to eliminate the relationship with the distributor or the reseller and deal directly with the final customer.*" This is a critical issue both for Saxa and Tio, thus it is strange that they have not mentioned it. The country manager of another Israeli company affirmed "*Saxa is as an actor that sell the solution to the final customer thus it develops the business while Tio, instead, only establishes relationships with resellers, thus it does not generate businesses*". This statement confirms Tio's perceptions about its limited contractual power. The vendor perceives Saxa as a partner, which not only try to sell the product but in its view it also creates value by managing the channel. Obviously the vendor perceives itself as in a better position, i.e. with a greater power, both with respect to Tio and Saxa.

The distributors and resellers' value representations

We interviewed also a distributor in this market and it stated *“Tio and Saxa are my competitors, they both attempt to appropriate value from bringing solutions from Israeli to Italy; but in the past it happened also that we developed a project together with Saxa”*.

Compared to system integrators, like Saxa, resellers do not tend to establish relationships with the Israeli vendors; they do not think this is of value, for different reasons: they have to know them, they need to speak English, they need to have the financial capacity and neither the capacity to develop a certain amount of business for the vendor. What is interesting is that while a reseller perceived Saxa as a partner, the other though it is a competitor.

The customers' value representations

We interviewed two customers and what emerged is that one of the them does not know Tio, the distributor, even if it was Tio bringing in Italy the solution it adopted; the reasons is that the ICT managers in the customer company just interacted with the country manager of the vendor or with the reseller. This customer is not interested in which actors are in between the channel, it just wants to know who the vendor is, as producer of the technology, and obviously the reseller because it is the one it will interact mostly.

In the case of another customer, instead, *“We know that there is Tio behind the reseller, because Tio skipped the rules of the channel and dealed directly with us in order to develop the business and generate more value for itself; it passed over the resellers while it could not do that for contractual; thus the channel model is sometimes imperfect. Nevertheless, we have our own advantage from this system when the distributor knows the solution better than the reseller”*.

4.2 The formation of the new actor - Yoram

Given the picture described, we saw that there are two problems to be solved; Tio has a problem of low bargaining power toward vendors, while Saxa has a problem of being perceived as a competitors from the other resellers. Obviously both these two problems need to be solved for Saxa and Tio to properly develop their business and create value.

The solution Tio and Saxa have together find out in order to form a new actor, a distributor –Yoram–, which will create a channel for the Israeli solutions. Both Saxa and Tio will have a participation in the new actor. In practice, they will pass to Yoram their relationships with vendors (only some of them are overlapped), and also their turnover. Yoram in this sense will not be a start up company, as it will not start from zero but it will benefit from the business already created by Tio and Saxa. Furthermore, the two companies will also share with Yoram their portfolio of relationships with resellers. The final aim is to develop a new business model by exploiting the value network of Saxa and Tio in order to improve and get easier access to resellers and thus, through them, to final customers.

In this way Saxa will overcome the problem of being perceived as a competitor from the other resellers and Tio will improve its bargaining power. The creation of this new actor implies that in the future they will not go anymore to deal with vendor as Saxa or Tio, but they will go as representatives of the new distributor. At the same time, looking at the other side of the value network the distributor will be ones dealing with resellers, even if Tio would carry out activities as system integration.

Saxa will have a participation in the distributor but this information should remain a hidden toward the other resellers otherwise the other resellers will perceive the distributor as a competitor too, and thus they will not buy from Yoram. In the case of Tio, instead, this problem does not exist, its participation in Yoram can be public.

With the creation of the new actor, Tio will continue to do its activities on the market, i.e. will continue to develop the channel, to find new resellers, to earn a percentage from the products sales; basically its business will not change; the difference is that now Tio will not anymore introduce the vendor directly to resellers, but in the middle there will be the new distributor.

As for Saxa it will continue to look for new customers, to develop Israeli solutions and to implement projects for the final customers.

The market practices that create the new actor

With the introduction of the new actor some practices in the market will remain the same, while new ones will be introduced. Following Kjellberg and Helgesson (2006)'s classification, we have distinguished among exchange, representational and normalizing practices.

Table 1: Exchange practices in the formation of a new business actor

EXCHANGE PRACTICES	
Actors involved	Description of the practice
Yoram (Distributor) - Vendors	- Scouting of new solutions on foreign markets
Yoram - Resellers	- Build the channel and develop it
Yoram- New Resellers	- Support resellers in developing activities toward the final customers (a)
Yoram – resellers-final customers	- Marketing activities to develop the market
Vendors-Yoram – resellers-final customers	- Invoicing e cashing
Yoram-Saxa-Tio	- Providing a location for the new actors and finding people working there
Yoram-Saxa-Tio-Resellers	- Saxa and Tio will provide Yoram with their portfolio of resellers
Yoram-Saxa-Tio-Vendors	- Saxa and Tio will provide Yoram with their portfolio of vendors
Vendor - Yoram	- Providing Yoram with country managers experts in the vendor's solution
Saxa-Yoram	- Providing Yoram with technical personnel

With respect to the practices for supporting resellers, they are needed because today resellers are already able to deal with final customers and promote solutions, but in the future new actors could enter the channel, i.e. new resellers which could not be able to properly present the solutions to final customers. Thus the need to employ country managers from vendor companies will emerge, as well as to mobilize resources for pre-sale activities, to make demonstrations of the product (demos), to develop pilot projects, and more in general to support pre-sales activities aimed at facilitating the entrance into these new customers.

As for the investments in the creation of the new actor, they will be quite low, as only one person will be hired for managing the distributor while the country managers from the vendor companies will be employed from the distributor and carry on pre-sales activities; the technical personnel instead will come from Saxa.

Table 2: Representational practices in the formation of a new business actor

REPRESENTATIONAL PRACTICES	
Actors involved	Description of the practice
Yoram-Resellers	<ul style="list-style-type: none"> - Presentations of products (especially during pre-sales) - Demo, demonstration of the functioning of the product - Inviting key people to play golf - Organizing and pay holidays for the general management of resellers companies
Yoram-Final customers	- Pilot projects, i.e. the solution is installed at the customer and its functioning explained

Yoram-Final customers- Resellers	- Seminars
Yoram-Saxa-Tio	- One meeting of two hours every week - One hour of call every day

As for the seminars, these are also aimed at learning the new laws from ‘garante della privacy’ and to show the impact of the new laws on the technological development and acknowledge about the solutions available in order to accomplish them. Thus, these representational practices also facilitate exchange practices, as the customers could not understand the usefulness of the solutions the distributor tries to sell.

Generally, market researchers are a typical example of representational practices; in this context, instead, they are very limited and mainly used by big companies, like IBM, in order to develop macro strategies on worldwide level. Furthermore in the worldwide landscape Italy is mainly a consumer of technology and not a producer, it does not develop it.

Finally, it is interesting to observe that the distributor would attempt to influence the resellers by inviting them to social activities which would reduce the distance between the actors and improve the relationship atmosphere.

Table 3: Normalizing practices in the formation of a new business actor

NORMALIZING PRACTICES	
Actors involved	Description of the practice
Yoram-foreign vendors	- Scouting activities as a rule to reduce risks
Yoram-resellers-final customers	- Implementing a mix of known products and new ones to balance risks
Yoram- all the other actors	- Keeping secret that Saxa participates Yoram
Yoram-Saxa-Reseller-Customers	- System of temporary licensees
Yoram-Saxa-Customers	- CRM as a monitoring tool

The business model of the new actor can work only if some rules are applied. The first potential problem is the choice of the wrong products on the market which will not find a way out; in this case some normalizing practices aimed at establishing rules for reducing this risk are required. They imply including in the portfolio solutions which are known and have been already implemented along with new ones from scout

activities; the statistics in fact say that among 4 solutions chosen only 2 have success on the local market.

Another problem could be the diffidence and reticence from the other operators in the value network in case they would discover that Saxa participates the distributor. This risk can be reduced if Saxa will not have an active role in the distributor and also by adopting some expedients and tricks to keep the secret.

To solve it Saxa is working on a model of temporary licensing; in this way the distributor can provide a temporary license to the final customer and when the reseller pays the distributor then the vendor will deliver the final license.

Finally a good CRM system will be implemented containing data both from customers and from vendors. Saxa will provide the system so as also to control its data.

4.3 The interaction between value practices and value representations

During the meeting where both Saxa and Tio took part in order establish the setting of the new distributor, different perspectives have confronted and in some cases negotiated. In this sense the meeting is has constituted a representational practice itself because it contributed to share a common view of the market and thus of the value creation processes that compose it.

A first issue is about which solutions the distributor's portfolio should contain. According to Tio it should include solutions from different vendors, in order to grant a greater variety of technologies and also to better share the risks related to investments. In Saxa's view, instead, the portfolio should be almost exclusively composed by Israeli technologies, in order to guarantee a certain focalization of the business. Furthermore, Saxa thinks *"It is much simpler to deal with Israel because the Country is closer to Italy compared to US, it has the same time, Israel strongly invests in the development of new technologies and, not least, Israeli managers are quicker in developing the business compared to American ones. Americans have to follow much more procedures, more in general they have different business models even because companies tend to be large ones. Furthermore Israeli vendors give much more freedom to the partners compared to US companies"*.

To mitigate these different perspectives Saxa and Tio decided to create a technical committee that will decide which solutions the portfolio should include. This issue is

not particular critical in the first period of Yoram's activity, but it will become in the future because it is necessary to carry on scouting activities much more in advance in order to plan the future portfolio of solutions. The composition of the portfolio will obviously impacts the exchange practices too, because according to it different relationships would be established and thus different strategies for value creation. However, the issue about how this technical committee will be exactly composed by has not been treated yet, and since it would for sure create divergences the parties preferred to post pone this decision to next meetings.

Saxa and Tio seem to agree that the distributor should start its operativity as soon as possible and that the investment has to be quite low; they instead disagree on the fact that Saxa wants to find a small office in a third location, while Tio wants Yoram to be settled at Saxa's building, because as its general manager observed "*the reseller would never come at the distributor place, it is always the distributor that goes and visit resellers and customers*". But for Saxa this option is too risky, it does not want the other actors to know it participates in Yoram. Tio also proposes to tell to the other actors that Saxa just rents his office to Yoram, but again this option is not convincing Saxa. The parties were not able to find a solution to this point and further meetings will be thus needed in order to solve it. Both parties have decided to take some time to think about a viable solution.

Saxa and Tio also discussed about which system to manage credits is would be better to adopt. They both agree on the temporary licensing system could be effective; but while Saxa is very confident for it to be easily done, according to Tio "*Before setting this system of temporary licensing we should go to Israel and discuss the issue with Israeli partners as there could be reasons that we do not know, for which this modality does not fit their business models*". Saxa does not think there would be any problem, but however agrees to make a visit in Israel in September. Saxa has to organize this visit. Obviously in case there would be problem with the system of temporary licensing it would strongly affect the future exchange and normalizing practices.

Finally during the meeting it has been discussed how to present the distributor to the vendor because for those vendors which have not a distributor in Italy, deciding to

open their business toward distributors will change the system of margins in the chain, thus the value appropriation system.

Also the parties have to decide how to present Yoram to resellers and final customers. Both the issues are strictly related to upcoming representational practices, as once the parties will agree on the desired positioning and image of Yoram then they would carry out many activities aimed at sharing this view with the other market actors.

Table 4: The ongoing process of interaction between practices and representations

Type of practice	Description of the practice	Issues still open
Normalizing practice	Create a technical committee composed by representatives from both Tio and Saxa which will decide the composition of the portfolio.	How the committee will be exactly composed by
Representational Practice	Meetings in order to find an agreement on where Yoram should be located by	Saxa perceives much more the risk to be discovered as taking part to Yoram compared to Tio, and for this reason it is more caution in that
Representational Practice	Meeting with the Israeli vendor in order to assess if they agree on the system of temporary licensing they are studying for the distributor.	In case some problem will emerge as Tio is supposing, the entire credit system of the distributor should be revisited.
Exchange practice	How to present Yoram to vendors	Saxa think it has a greater power in undertaking decision than Tio, because Saxa is essential for the new project while Tio is not.
Exchange practice	How to present Yoram to re-sellers	This issue is perceived as particular problematic for Saxa, which should remain hidden

5. Conclusions and implications for research and practice

Literature recognizes the co-creation of value as the most critical process occurring in business relationships. This is particularly evident in the IMP (International Marketing and Purchasing Group) stream of research and in the Service Dominant Logic. Recently scholars are starting to conceptualize value and explaining value co-creation processes by applying concepts coming from cognitive and social psychology. Their common starting point (see Corsaro and Snehota, 2010;

Edvardsson et al. 2011; Penalzoa and Venkatesh, 2011) is that there is a strong relationship between cognition and behaviors, i.e. value representations in the social context. Until now, however, we can observe that how value representations relate to value creation processes has been not yet studied, as well as empirical evidence on that are un-existent.

By integrating literature on relationship value and market practices, this paper shows that interpreting markets as a set of practices is useful to understand value related processes and, at the same time, we show the role of actors' representation in the practices aimed at value creation appears critical. In this way we contribute to both the two streams of literature.

Through the case of the formation of a new business actors in the ICT Security industry, we have shown that value emerges because of the interplay between value representations, that are the actors' representations of value creation processes, and value practices, expressed in terms of exchange, normalizing and representational practices. At the same time this study shows that representations have a much important role in the formation of markets than assigned in the market practices stream of research. In the literature, in fact, much attention has been devoted to the practices aimed at influencing representations and create shared images of the market -representational practices- rather than representations themselves.

Our study highlights that the actors belonging to the value networks may have different representations of value creation processes and this affects the practices they pursue, which in turn influence their representations; the boundary between practices and representations is extremely blurred. This is coherent with the relevance assigned to market ideas in shaping markets, raising the questions of which ideas participate and how they participate (Kjellberg and Helgesson, 2007). This is particularly evident by observing the interaction between Tio and Saxa during the meeting. These actors confront their only partially overlapped pictures and while in some cases they find agreement and thus a common view, sometimes they do not. How the actors will go to mediate and negotiate the divergent views is extremely relevant as it will influence the following practices. Thus, we think that for an in-depth understanding of value creation processes, value practices should be considered along with value representations.

With respect to research on value, our study further confirms that as value can be conceived only in terms of perceived consequences of ownership or use, it becomes

dependent on the “subject of value” rather than simply on the features of the “object of exchange” (Zeithaml, 1988; Monroe, 1990; Holbrook, 1994; Woodruff, 1997). Thus, value considerations often do not overlap even for individuals who are involved in the same interactions and relationships. Actors continuously confront their value perceptions, and these asymmetries in perceptions influence their conduct. As it has been recently affirmed, empirical studies are required on how value is perceived by different customers in different contexts (Edvardsson et al., 2011).

Looking at the market practice stream of research, Azimont and Araujo (2007) show that attempts to redefine markets can simultaneously involve proposed change to representational practices, normalizing practices and ex-change practices. The authors find out that incompatible practices regularly meet each other and could require a certain degree of accommodation and compromise. Our study highlights the need not only to compromise practices but also representations.

The main limitation of this study is that it considers only exchange, representational and normalizing practices, while excluding the role of translation practices, i.e. the practices that connect the previous three.

Further research should continue in the direction started by Kjellberg and Helgesson (2007), and focus on who acts, constructs reality and the impact it has on practices that create value. Theoretical models need to be developed and empirically tested.

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