

Sales Outside-in and Inside-out

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Competitive paper

1. The role of sales in ongoing and new business venture

Those who take functional perspective on sales define the scope of the sales function as developing and managing customer relationships (Anderson & Narus 1998; Wotruba, 1996). Few would object to such a broad definition of the scope of the sales in a business. However, when sales research and literature elaborate on how it translates in practice and what the task of sales is, the literature and research tend to take nearly exclusively the “activity perspective” (Homburg & Jensen, 2007), describing what sales do as a more or less clearly defined organizational unit. Sales literature mostly implies that the sales activity takes place in a context of ongoing business and formal organization, and that there is a well defined product and offering to be sold.

The role of sales is then described as contributing to conceiving, producing, and delivering customer value by understanding customers’ and/or sellers’ needs and fulfilling them with the bundle of goods and services fitting those need (Weitz & Bradford, 1999). When new products/services are developed, the role of sales is to identify customers’ needs and wants, often in collaboration with the marketing function (Ernst, Hoyer, & Rübsaamen, 2010). But, emphasis is given to sales activities that follow the definition and development of the product i.e. prospecting for new customers who have need for the product (and the offering) and the persuasive communication with customers, which at best aims at clarifying why the offering of the company is superior to that from other suppliers. Such an idea of the sales function reflects the transactional perspective on the market in the

sense that the sale and the relationship with the customer are function of the quality of the offering (product/service) proposed by the company.

When new business is developed, as an independent start-up or as part of an ongoing concern, the task of developing new business relationships is paramount. The context and situation in which the new relationships are developed are typically characterized by two circumstances: one is that the offering is not well defined. The product itself is often in making and while the idea and the principle may be clear the product specifications are seldom complete. Furthermore, the offering consists of more than just the product (Ford, Gadde, Håkansson, & Snehota, 2011) because customers are interested in a complete solution that comprises various elements of value (Tuli, Kohli, Bhjaradvaj, 2007). That means that a whole set of elements and conditions (price, terms of payment, logistic, delivery quality controls, guarantees, after-sales services) needs to be defined and developed. The new venture starts from a product/service concept that needs to be translated into an actual solution and embedded in a series of arrangements (necessary for carrying out the first transactions). All that must be done jointly with the customer because the solution is actually an interface in between two organizations (Mason & Spring, 2011; Baraldi, 2008). The second important and peculiar aspect of the situation reflects the fact that the new venture typically starts as a “pre-organizational” structure (Gartner, 1985); with the organizational form in making and rather loosely defined. In such an organization a formal organization unit sales is often absent.

Furthermore, for most new business ventures it is reasonable to describe the context in which they start as business network (Johanson & Vahlne, 2011; Hakansson & Snehota, 1995). The new business ventures build on pre-existing ‘economic organization’ which is the supply chain and, often address clients that are businesses and other organizations. Under the circumstances it is sensible to view the situation from a relational perspective which implies that sales transactions between the customers and the supplier are function of relationship quality.

Such situations are common. They are endemic of new business being developed within existing companies and when the new business ventures start ex-novo like various start-ups. Episodic evidence suggests that, indeed, “acquiring the first customer” is a critical task when developing the new business and involves more than “making the first sale”. The peculiar circumstances of the new business venture are likely to have consequences for the content of the sales function, the task and activities of the sales.

While the new venture development situations that require development of new business relationships are thus of considerable interest and relatively frequent in business practice, the extant literature and research on the issues is very limited. The issue has not been addressed directly and relevant studies are few (Aaboen, Dubois & Lind, 2011; Gadde, Hjelmgren, & Skarp, 2012).

Against this background our research question is: What is the significance of the sales function, in particular the task content and organisational setting, in developing the initial customer relationships in a newly emerging business venture? The question addressed in this paper is: what is the role of sales in developing the initial customer relationships of a new business venture, what are the critical tasks and how are these carried out? The aim of the paper is twofold: firstly, we are set to identify the specific requirements on sales in such context; secondly, we are going to sketch a conceptual framework to guide further research.

The paper is organized as follows. We start with reporting a case of development of three new business relationships in a B2B company focusing on the content of the 'sales process'. In the section that follows conclusions are drawn regarding the content and organizational setting of the sales function in situations of new relationship development and, finally, presenting a rough conceptual framework we discuss implications for how the issues of the sales function can be addressed in future research.

2. Methodology

The exploratory nature of our research and the need to develop a theory-in-use commend the application of a qualitative research, particularly useful when seeking to understand questions of process (Kirk & Miller, 1986; Kohli & Jaworski, 1990). In depth case studies are advocated for understanding interaction between a phenomenon and its context (Dubois & Gadde, 2002). To illustrate the role of sales and the critical issues in developing initial relationships we present a case of new business venturing in a pharmaceutical company. The information – here in the form of case history - was obtained through personal in-depth interviews and from secondary data. Six managers were interviewed repeatedly during the past two years for a total of 31 interviews that have been transcribed but analysed without any specific software since the interviews were topically complex. Our approach and sample size is consistent with established guidelines for exploratory research (McCracken, 1988). The identities of the companies are disguised for confidentiality.

3. Case: Healsana SA

Healsana is a mid-sized Swiss pharmaceutical company that has recently got engaged in developing what it came to call 'Industrial Business' aiming at acquiring new industrial customers. The aim of the case is to describe the development of the first customer relationships as material for a subsequent discussion of what the sales function consists of, the nature of the task of the sales and how it was carried out.

3.1 Company origins

Healsana is founded in 1943 by a surgeon who developed a vasoconstrictor for local anesthesia. The product becomes a sales success because of its efficacy and ease of application. It is patented in 1947 and over the following decade the molecule is the main component in a local anesthetic and antiarrhythmic drug produced by the company and marketed through a dozen of distributors in Switzerland and internationally. The company prospers and becomes a small but solid player in the Swiss pharmaceutical industry. In the 1960s there is an important change in the company business model. At the behest of one of the owners who travelled extensively around the world, research is carried out on medicinal plants used in various countries. Research on the properties of roots of ginseng, at that time a plant known to few outside China, results in the development of a method of extracting effective substances from the plant. The method is a significant innovation and enables the company to produce a 'standardized' ginseng extract. Being the first to propose 'medicine' based on the 'natural extract', the company becomes one of the major players in creating a new market for 'serious natural medicine' that would flourish in the following decades.

Sales grew rapidly and in 1971 the company sells the original anesthesia business to concentrate on marketing a line of phytopharmaceutical products based on extracts from various plants with documented therapeutic effects. The company expands to a mid-sized business with a few hundred employees. The company becomes one of the largest buyers of ginseng at the time, with plantations in China controlled directly, as well as a significant buyer of some other plants (e.g. ginkobiloba). All production is carried out in the Swiss plant, and only the raw materials and packaging are bought externally. Products are sold through pharmacies, and a small sales organization serving the Swiss market, while in the international markets agents and distributors are used.

3.2 Healsana as part of the Dyer Group

In 1992 the company is bought by Dyer Group, a large multinational pharmaceutical company with sales exceeding US\$15 billion. Dyer had some other natural medicine business and wanted to strengthen it by the acquisition. The business model of Healsana changes rather radically after the take-over. The company, maintains a distinct own profile within the group as a 'centre for phytopharmaceutical research' and is engaged in the continuous development of new products and of new galenic forms of existing products. But for the sales it relies on the world-wide sales organization of Dyer who became nearly the sole customer. Dyer Sales is present in more than 80 countries and 90 % of the production is sold through Dyer to pharmacies as OTC products under

Phytopharma brand. In a few marginal markets the original brand Healline is sold through agents served by a small sales office of Healsana. At the time Healsana's management believed that selling through Dyer would boost the sales, also because the market for "natural medicine" is expanding globally. Providing natural medicine with scientifically proven health effects should meet well this trend.

Internally, the company makes considerable investments in three areas. It develops the manufacturing processes and the R&D facilities to reach the quality and control standards of the pharmaceutical companies. At the same time it also develops rigorous test-and-trial procedures and administrative routines to document processes and certify products are put in place, again to bring them to the level of pharmaceutical companies. Finally, as part of a multinational group directly present in more than 80 countries, Healsana keeps updating its logistical facilities, bringing them to world-class standard. Purchasing side is dominated, in value, by purchases of the herbal raw materials, packaging and, interestingly as a consequence of the importance of documentation, nearly 15% of procurement consists of buying printing services.

Healsana maintains and even keeps reinforcing its own identity within the group, and because of the above-average profitability, management is left nearly full autonomy. But the volume of sales of the Phytopharma line goes flat, even though the market for natural medicine is booming at the beginning of the 2000s. While profitability is good because of the premium pricing in the pharmacy channel, the volumes stagnate because it is difficult to obtain adequate sales support from Dyer's sales organization, for which Phytopharma represents less than one percent of the group's total turnover and is thus certainly not at the top of their mind.

3.3 Developing the business

Witnessing the rapid growth of the natural medicine market, Healsana's management team is confident of the company's own potential and examines various ways to grow the business. It convinces Dyer to let Healsana sell its products in some major markets under a different brand, in channels other than pharmacies, leaving the responsibility for OTC sales of the Phytopharma line in pharmacies to Dyer. For that purpose an own brand, 'Healthsan', is launched in 2005 and sold in several countries in parallel with the Phytopharma line with similar premium positioning: natural medicine, scientifically proven and guaranteed. However, the sales of the Healthsan line develop slowly and in 2008, after three years, represent less than 15% of sales. One reason is that building up the own sales organization for the new line is problematic because, given the limited sales volumes of the Healthsan line, it is difficult to sustain financially a dedicated sales organization. Most of the

sales thus go through agents and representatives in markets where Dyer’s sales organization is absent, such as Argentina, Romania, or the United Arab Emirates. Healsana management recognizes that developing an own sales organization requires time and investment and starts looking for a suitable partner in the growing business of natural medicine, approaching in particular an emergent business in the US. However, attempts to find a partner fail mostly for the difficulty in finding a common approach to the business.

In 2009 Healsana becomes a fully independent unit within the Group with a status similar to that of an external supplier, free to develop its own business as long as it supplies the Phytopharma line to Dyer and supports it. Healsana management keeps examining various options for growing the top line and gets support from the group to further extend the Healsana line and to develop the own sales organization. It becomes gradually attentive to potential of the ‘industrial business’. The company is approached by a few other businesses in the “nutraceutical & natural medicine” business and these approaches develop in an interesting business venture that after the initial steps gets full attention of the management as the most promising way to grow the top-line of the company. Some figures on the sales by business segment are reported in Table 1.

Table 1. Healsana sales by business segment in 2008-2011 (millions of Euro)

Business Segment	Year			
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Phytopharma	70	65	71	72
Healthsan line	12	11	13	14
Industrial operations	-	1	3	6
Total	82	77	87	91

3.4 Developing new customer relationships

Developing the relationship to **Harus**. In 2009 several businesses in the growing natural health and in the emerging nutraceutical markets make enquiries about whether Healsana could produce on contract products based on natural extracts. Harus, one of the largest retail chains in Switzerland is deciding to introduce an own private label line of nutraceuticals (dietary supplements). Harus approaches Healsana in the fall of 2009, because of its reputation for quality and its ability to offer a full-line of products. Initially, they are interested to find a contract manufacturer for various vitamin

supplements they plan to sell under the own Harus brand. Healsana has no problem in producing the required formulas and agrees on supplying these following Harus specifications and starts to supply these in four months, in early 2010. But, the two companies become engaged in discussions about how to develop the Harus line and in deciding on the various formulas and packaging. Several members of the management team of the Industrial business unit in Healsana met at different occasions with marketing, purchasing and logistics of Harus. Harus appreciates the experiences of Healsana and accepts various proposals it makes. In 2010 various line extension are proposed some of which are conceived by Harus, others by Healsana. The business quickly develops to an interesting volume of more than one million CHF per year in less than two years, against practically no investments in R&D or manufacturing.

Developing the relationship to **Axel**. Healsana develops an economically interesting relationship with Axel, a large distributor of natural nutraceutical products that ‘improve well-being’, who is operating in Belgium, Holland, Scandinavian countries, Romania, and the Soviet Union. Axel is growing rapidly in the nutraceutical market which is less regulated than the pharmaceutical natural medicine OTC products. The first encounter with Axel is somewhat accidental when the COO of Healsana at an international fair happens to meet the sales director of Axel, who complains about problems with many small producers supplying Axel who do not understand the scale of Axel’s operations and its business logic. He complains in particular that while customers and regulatory bodies in several markets require various certifications and guarantees the suppliers show only limited understanding for this need to document processes and for the importance of logistics in a company like Axel. Talking about the meeting back home with the management team it is decided to follow up this lead and a month later meeting is arranged by the COO and the Sales director of Axel in which Healsana presents its business to Axel who shows considerable interest in the R&D and production facilities and competences of Healsana. Shortly after this meeting Axel decides let Healsana manufacture several formulas in the product line of Axel. In a few months Healsana starts supplying a complete line of products under Axel’s brand. Later it also starts contracting the manufacturing of a few other nutraceutical formulations proposed by Axel to complement the line. By 2012 Axel becomes the largest single customer after Dyer, representing nearly 4% of Healsana’s sales, and the business is worth more than two million CHF. In order to satisfy some of the Axel requirements Healsana invested in some manufacturing equipment needed to extend the capacity. At the same time Healsana’ IB unit has created a two men sales administration office that takes the responsibility for the order and other administrative routines and calls on the management team members for involvement when decisions are taken regarding the offering.

For Axel the main reason to engage with Healsana is the possibility of consolidating the purchasing previously scattered among small suppliers to one supplier but also Healsana's capacity to develop new products (formulas, galenicals, packaging, etc.). An important factor is also the "pharmaceutical" standards in manufacturing operations, testing and documentation that started to be required in several of Axel's markets. Healsana had to make some minor equipment investments to avoid the risk of interruptions in supplies, and developed original production processes for a few products and forms that were new to the company.

Developing the relationship to **Cotze**: In 2010 Healsana is approached by Cotze, a small-scale commercial outlet with strong direct sales to the public in Switzerland and Germany of a mussel shell extract, allegedly beneficial for human joints. Healsana management had no previous knowledge of Cotze that is more or less a family affair. The owner of Cotze grumbles over his difficulties with small suppliers of the extract concerning quality of packaging and administrative routines, and he approaches Healsana, that he has heard of and whose products he knows well, in late 2010. COO of Healsana examines the production process for the mussel extract together with people in the production and is confident that Healsana operations can manage the production process without much difficulty. The CEO of Healsana and Cotze's owner agree on contract manufacturing. No problems are met in starting production, which requires only very minor new equipment, while the supply of shells is relatively easily secured from South American suppliers. The business takes off and becomes nearly 2% of Healsana's sales in the first year, with some potential to grow further. Healsana is examining the possibility of selling the product (based on mussel shell extract) in markets out of reach for Cotze such as for instance France, Scandinavia, Polen, where Cotze has neither ambition nor ability to operate with its current business model of direct sales to customers. It also discusses with other customers (e.g. Axel) whether they are interested to sell the formula (the shell-extract for joints) under their own brand. Cotze is interested in such an arrangements where Healsana or others would sell the product in international markets for rather limited royalties on sales. Business takes off with Axel and one other similar distributor by the beginning of 2012.

The experience with Harus, Axel and Cotze convinces Healsana of the potential of being a "certified and prestigious" contract manufacturer, and the management scouts even more actively for other businesses that develop new product formulas to offer contract manufacturing or the possibility of acting as an international distributor, or offering the same products to customers like Axel. The new businesses in the expanding natural medicine and wellbeing tend to come with formulas but often lack their own manufacturing facilities and the competences to document and certify production methods and product features, which are increasingly required. The new businesses also tend to be

confined to one or only a few geographical areas and are possibly interested in Healsana distributing their formulas internationally. On top of that, Healsana examines opportunities to integrate nutraceutical elements in various consumer products like foodstuffs, drinks, and cosmetics, and is engaged in talks with a handful of producers of these products.

The company actively seeks to develop its industrial business, convinced that it is the more promising avenue for growing the top-line than developing the sales of the Healthsan line which turned out to be the major source of growth in the last three years (cf. Table 1), and the Healsana management team expects it to grow to 30-40% of Healsana's business by 2015.

4. Case Discussion

What is evident in the case is that the new relationships of the “industrial business” are initiated without a well defined, existing product and offering and with organizational responsibilities rather fuzzily defined. The case highlights the ambiguity of the sales function, in line with research on the functional differentiation of new businesses (Ardichvili, Cardozo, & Gasparishvili, 1998). While there is a clear need to create novel solutions and to communicate with the emerging business partners there is no formal sales function in Healsana IB. The task of developing customer relationships is accomplished by various managers in the company, and, somewhat paradoxically perhaps, to some extent by the customers themselves.

In all the three cases we had a closer look at, the relationship started because of more or less precise expectations about what the counterpart can do for the own business. The mutual expectations appear to come from a more or less clear collective experience with the respective business partner. They appear vague, but at the same time they are substantiated. The collective images of businesses reflect largely direct past experiences of some stakeholders. While the first encounters may appear accidental they are followed up acting on the substantial (even if not necessarily systematic) evidence, mediated by other partners in the relevant business network.

Starting from the mutual expectations, however, the relationship develops as either of the parties actually keeps on enacting these, keeps the contacts and interaction alive. As the relationship unfolds the offering, including the product, is gradually put in place. Both the product offering and organizational responsibilities are “in defining”. We will focus here on three aspects of this process: 1) What is required? In the sense what must be accomplished in order to define the product and to develop the interaction in the relationship. 2) How is it done? Looking at what is the process to accomplish the necessary task. 3) Who does it? Examining who are the actors actually involved in the process?

4.1 Defining the offering

What is the issue? Defining an offering involves conceiving and implementing offerings, i.e. solutions and defining workable arrangements (related to the administrative, logistical, information processing and financial procedures and routines) among the parties. Since the offering is a complex solution (product features, logistics, guarantees, administrative routines etc.) it cannot be blueprinted a priori.

The critical issues here is that defining an offering amounts to define solutions for how to connect and interface own resources with those of the partner, how to configure the own activities in relation to those of the partner. Both require, and can only be achieved against the background of developing some, shared meaning among the actors involved. Finding the solutions requires a set of different competences and is a complex task which involves fitting one's products and production routines in the other company's logistical routine and manufacturing or commercial process. The final solution of the offering has always to connect and interface two systems (Cespedes, 1994). Since it is done jointly, between actors in interaction (Ford, Gadde, Håkansson, Snehota & Waluszewski, 2010), it can entail considerable costs of confronting different views and logics and of mutual adjustments. The solutions that fit look simpler in hindsight than in the foresight.

What is the process? How is it achieved? The effective solutions tend to be put in place through trial and error, experimenting with various local solutions that must be devised jointly in interaction. When the new relationships with Axel, Cotze and Harus are developed in the industrial business, the actual offering solutions are not a given from the beginning but are found in interaction between the companies. Combining various pieces in a workable solution requires some knowledge of the possibilities, limits and consequences for alternative solutions. The knowledge is not integrated but brought in by the respective parties that interact. Therefore solutions can only be defined through practice - enacted. Different customers derive value from different aspects of the offering. Harus appears to value product development competence; Cotze values the company's reputation and quality assurance, and Axel the convenience of one-stop shopping and the capability to develop jointly new formulas to extend the own product line.

Devising workable solutions always involves considerable amount of trial and error which can be seen in participant observation but often removed in ex-post reconstructions. The experimenting is more or less continuous. What starts as delivery of existing products becomes within short contract manufacturing of products new to Healsana in relation to Axel. What initiates as contract manufacturing of formulas defined by the Harus becomes a mixed arrangement of contract manufacturing of such formulas but also of new formulas developed together with the

Helsana. Similarly, Healsana complements contract manufacturing for Cotze by ‘in-licensing’ its products for international sales. When new possibilities are perceived, new solutions must be found.

The relationship with Axel starts with discussions that lead to defining what Healsana will supply immediately but also to identifying other potential elements of the future offering. Healsana adapts and has to acquire some other resources needed to provide the expected performance, as some manufacturing operations need to be strengthened. In the relationship with Cotze, which is a very small company, the adaptations are extensive; new production operations are introduced, new suppliers are contacted, and original packaging is developed. At the same time, both parties discuss future exploitation of the product (new to the company) in Healsana’s other business relationships, possibly the distributors and Dyer, or Axel. While the key relationships have been developed because of existing resources and capabilities and more or less specific expectations of potential benefits, further adjustments and mutual adaptations have been necessary, such as the development of new production processes and new supplier relationships in the case of Cotze and some investment in production equipment required in the case of Axel.

Who is involved? The offering is defined jointly with the customer who is more or less active. There is a clear need for multiple competences (roles) that can come from the own organization, or that of the customer. Healsana production, R&D, Purchasing, Business development and the CEO are all involved with more or less corresponding functions of the customer. It is not rare that third parties can play an important role for the solutions. For instance in the Axel case the customers of Axel who push for certification and testing influence what will be taking place between Axel and Healsana.

4.2 Relating to customers

What is the issue? In a business relationship two active parties meet. Every business relationship connects two business systems at also two “thought worlds”. In every business relationship two business models are confronted. Furthermore, the respective business systems, thought worlds and business models are never really stable or in equilibrium. They are always ‘in motion’ and always exposed to pressure for change. Relating to customers is future oriented and thus involves some degree of trust and commitment.

What starts as delivery of existing products becomes within short contract manufacturing of products new to Healsana. Similarly, Healsana complements contract manufacturing for Cotze by ‘in-licensing’ its products for international sales. When new possibilities are perceived, the allocation of activities and accountability is redefined. The interplay of internal and external factors leads to

continuous change. Internally, it is the Healsana management team that pushes for changes with intent to grow and improve the own business.

What is the process? (How is it done?) Extensive interaction between the customers and the supplier is needed which results in allocation of activities and accountability being defined and redefined. In the interaction there are two issues involved. The first is that the parties need to negotiate the meaning of the solution, the value consequences, feasibility, the economic consequences and a lot of other aspects. The second issue is that, similarly to specifying the components of a workable solution, the responsibilities of the two parties must be attributed. That amounts to defining the boundaries of the two businesses involved in the relationships. The case suggests that a major task of the sales is to negotiate boundaries of the new venture in relationships with customers, which in emergent relationships, means to negotiate how to allocate activities between parties (Geiger & Finch, 2009). Setting such moving and permeable boundaries requires interpretation and construction of meaning in interaction with the relationship partners are crucial task of the sales function. The emergent cognitive structures offer rules for defining the boundaries of the firm, reshaping the key relationships, generating value, etc. (Doz & Kosonen, 2010, p. 371).

Who is involved? Multiple stakeholders can be involved in negotiating the meaning and boundaries in the emergent relationships. Complexity of the interaction pattern is likely to mirror the complexity of the organizations involved. In the Healsana case management is driving the changes, confident of the own resources and capabilities in the light of a favorable general market trend toward “healthy & natural”. But, the external factors come through the key business relationships and are a mixture of positive and negative effects. An example is the relationship with Dyer, which is limiting the business development potential of Healsana by the lack of sales support, but on the other hand leads to the development of specific competencies in production, logistics and administration paving the way for interesting possibilities later on. Various opportunities and solutions to exploit these competences, identified in relationships with Axel, Cotzes and Harus, produce important changes in the development of the company.

5. Conclusions

What is evidenced in the case is that the new business relationships do not arise as a consequence of a specific given superior value offering. The new relationships in the case arise from expectations of performance based on perceived past achievements but the offering is undefined. It appears rather that how well the relationships develops (how effective is the interaction between the involved) is

important for developing of an offering that is of value for the customer and permits some value appropriation for the supplier company.

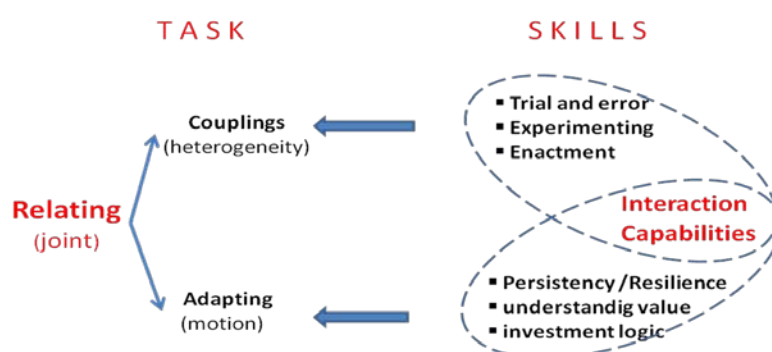
The Healsana case shows clearly that solutions that emerge in the some of the relationships become a platform for developing other new relationships and new value offerings in the ensuing periods. For instance, working for Dyer as dominant customer leads to the development of manufacturing, logistical and administrative routines and systems that become perceived as valuable assets by other customers (as Harus and Axel). Another example is how development of the solution for Cotze becomes an element that can further expand the business with Axel. Solutions developed in a relationship become thus building stones in the development of the industrial business. That is made possible because different partners derive different benefits from apparently the same offering, resources and competences.

The case permits to formulate a few considerations with regard to the task of the sales and the skills required to perform this task in situations of new venture development when new business relationships with customers must be established and developed. The conclusions we draw are schematically illustrated in Figure 1.

The case suggests that, at its broadest, the task that must be accomplished by sales is what might be labelled as relating the emergent venture to the existing context through developing customer relationships (and supplier relationships). Single sales transactions are but episodes and not the focal point in developing the customer relationships.

In turn relating involves two tasks. The first is to create couplings between the two organizations. Since the couplings must be created in various dimensions this can be a task that is complex. The IMP Actor-Resource-Activity framework can be used to gauge the first level of complexity suggesting that in each business relationships resources must be interfaced, activities configured and actors mutually oriented in the relationship between the two businesses (Hakansson & Snehota, 1995).

Fig. 1 The Task and Competences to develop customer relationships



Since the customer relationship means relating to a pre-existing context, enacting a workable configuration of the relationships cannot be done unilaterally and always involves interaction with the customer (Ramani & Kumar 2008; Tuli et al., 2007). New product service solutions and relational arrangements are conceived and implemented jointly with the customer. It starts from the 'unknown' and proceeds to the tangible effective actual configuration of the relationship on which the economic outcomes depend. The relationship needs to be configured so as to link the resources and activities of the own venture and those the venture builds on, to those of the customer.

Problems that need to be addressed are so numerous that it is impossible to establish a blueprint of solutions a priori; rather putting in place novel solutions requires extensive experimentation and "is not a matter of superior foresight ex ante – rather, it requires significant trial and error, and quite a bit of adaptation ex post" (Chesbrough, 2010, p. 356). In complex relationships the actual configuration may even be difficult to assess properly in hindsight which is the reason why the initial business relationships imprint the emergent organization (Aaboen et al., 2011; Hite, 2005; Kelley & Rice, 2001). The solutions and arrangements enacted in the initial relationships develop to routines on which the capabilities of the emergent business build (Baum, Calabrese & Silverman, 2000).

The other source of difficulty in relating is that the complex coupling within a relationship done jointly with the customer is done in a context that is in continuous motion. There are always reasons to modify the existing offering solutions either for reasons that are internal to the relationship (e.g. to improve the performance or economy) or external, the solution must be adjusted to adapt to changes in other relationships of the customer or of the emergent new venture and its suppliers.

If we take relating as the critical process in new venture development and consider that it is explicated in developing the new customer relationships the next questions become: what are the processes on which the effectiveness of couplings depend, and what are the processes that underlie the adaptations necessary as the relationship develops? Some processes that have been pointed out in the literature and emerge in various empirical accounts of relationship interaction are hinted in Fig 1. In turn, to handle these processes requires specific capabilities that we would like to call interaction capabilities.

The processes linked to the necessity to operate couplings when developing the new relationships listed in the Figure 1 revolve around experimenting and enacting workable solutions through trial and error in which parties engage jointly. What appears as critical in enacting the workable coupling solutions, is the capacity of the interacting parties to simultaneously manage opening and closure when devising novel solutions in new customer relationship. The capacity to

open is needed for experimenting and finding new solutions; the ability to systematically operate closure is needed to make the solutions work (Håkansson & Olsen, 2012).

Also the task of adapting appears linked to more or less specific processes which require distinct capabilities. The need to adapt is continuous and there is no point of equilibrium in the relationship that can remain stable for a long time. Dynamics of business relationships and networks do not make stability of this kind likely and build, as a relational context, on a kind of investment logic. Relationships work because of commitment to some future states. It has been suggested that capability of an organization to adapt successfully reflects the capacity to meet the unexpected. The capacity to meet the unexpected relates to building resilience (Hamel & Välikangas, 2003) and competencies for change (Peteraf & Helfat, 2003). Building competencies for change is a matter of mindfulness in the sense of fostering non-routine experiment orientation in the organization and accepting the temporary nature of success.

6. Final considerations on the role of sales

When a new venture starts developing initial customer relationships the key task is to link and bridge the two organisations rather than to define ex ante the offering that meets the customer needs and to promote it. We can then return to the question what is the role of sales in the new relationship development? When we examine how new business relationships are developed in new business ventures and the role of the sales and the content of the sales function there are two contradictory conclusions. At first sight one might conclude that sales function is practically absent when the new relationships were developed. (Indeed the formal organisational unit in the Healsana case is insignificant.)

At the other hand if we define the scope of the sales function as the development and maintenance of customer relationships, we must conclude that in the case it has been an important function and, considering the actual achievements, it has been operating successfully. True that the sales function has been exercised jointly by several actors with different functional backgrounds within the company but also the contribution of external partners have been important. It is consistent with the claim that delegating responsibility to a formal unit tends to lessen the incentive for other company functions to contribute (Gronroos, 1990).

When we take the stance that the development of the new relationships is indeed the central task for the sales function our investigation provides some indications about the task and the necessary capabilities and skills. Under the circumstances the task of sales is to “relate the customer to the own company”. Rather than to start from a defined offering the first task of sales is to develop,

jointly with the customer; the workable solution to the offering; and secondly to ensure that the relational solutions are adapted to the changing circumstance as the relationship keeps developing. In such conditions successful sales transactions are a function of relationship quality, which contrasts with common assumption that relationships arise as consequence of “superior offering”.

Under such circumstances the role of sale is much broader (and more complex) than usually attributed to sales at least in most of the marketing and sale literature. This configuration of the sales function’s task could be labelled as ‘*outside-in*’ function rather than the traditional conception of sales that appears to emphasize the ‘*inside-out*’ function of the sales. The outside-in function and the inside out function of the sales fit different contexts and require different skills and capabilities.

To conclude: if we conceive the role of sales as developing and maintaining customer relationships then in new venture situations the role of sale is particularly critical. But, the task is broader, and more complex, than commonly attributed to sales in most of the marketing and sale literature. The task is broader and the organizational setting of the function is fuzzier. In B2B context in particular the sales function appears distributed in the emergent organisation. Scattered empirical evidence suggests that when initial relationships are established and developed, and the function of sales is more of outside-in, there is a need for an ‘open sales’ function, one more involved with other functions in the own organization and with than of the customer.

The broad implication that we arrive at is that since new business development situations are frequent and important, more systematic knowledge is needed about the processes of relationship development through which the new venture becomes embedded in the relevant business network. Given the importance of the topic and the paucity of systematic empirical studies we think that further empirical research is essential and likely to provide impulses for further development of the analytical framework that appears to be needed and to the development of which we had the ambition to contribute.

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