Value Generation in Asymmetric Relationships

Abstract

Current market trends have changed the rules of competition and made it increasingly difficult for a single firm to exploit its own resources in isolation. In order to innovate firms require the support of supply chains and networks.

Small and medium-sized enterprises (SMEs) have been somewhat overlooked in the literature, despite being the most common company size and also making significant contributions to innovation and employment. Many of these innovations are the result of collaborations with large partners who have complementary resources and capabilities. Therefore, in order to create value, ambitious and growth-oriented SME's must learn to compete and collaborate with partners who have more resources, power and wider social networks.

Through asymmetric relationships with bigger firms SMEs gain access to extended resources but face particular hazards. While literature suggests that symmetry enhances value generation and exploitation in business relationships, asymmetry has traditionally been seen to have the opposite effect.

By analysing a multi-case study -one successful, one failure- this research demonstrates that value creation is possible, under certain circumstances, when asymmetry is present. Based on the current emphasis on value-in-use initiated by Vargo and Lusch's (2004) seminal work, our empirical study further sheds light on the process of reciprocal value creation and value sharing. We highlight the important role played by committed champions in developing communication and trust, and discuss the issues related to resource complementarity, interactions with customers, relational management and customer specialization.

We develop a novel concept; dual-value appropriation, where in contrast with current understandings, partners do not split total value generated. Instead, they fully appropriate the total value, as it represents a different value proposition for each partner. Implications for theory and practice are discussed at the end of the paper.

Key-words: value creation, business relationships, asymmetry, complementarity, dual value appropriation

Value Generation in Asymmetric Relationships

1.-INTRODUCTION

The convergence of technologies and the globalization of markets have changed the rules of competition, meaning that continuous innovation has become a strategic priority. In this context, it is increasingly difficult for a single firm to develop or exploit its own resources in isolation. Firms tend to specialize by focusing on their core competencies whilst repositioning themselves in value networks to complement their knowledge (Das and Kumar, 2010; Dilk et al., 2008; Calia et al., 2007; Ford and Hakansson, 2006; Möller and Svahn, 2006). Interaction in these networks leads to a process of learning and value creation.

Value creation has been the focus of many researchers from different fields, including marketing (Cambra et al., 2011; Swaminathn and Moorman, 2009; Prahalad and Ramaswamy, 2004), strategy (Möller and Senja, 2006) and entrepreneurship (Alvarez et al., 2006). For example, research in B2B markets has examined learning relationships, where customer value has emerged as an issue of major concern (Redwood and Ford, 2012) and the ability to create superior value for customers vital for a firm's long-term success (Slater, 1997; Woodruff, 1997).

Customer value is the cornerstone of the marketing management process (Anderson and Narus, 2004). Scholars have advanced our understanding of customer value and extended the sources of value-creation to relationships and networks (Ulaga and Eggert, 2006a, b; Lindgreen and Wynstra, 2005; Möller and Törrönen, 2003). At the same time, influenced by the service view, research on customer value has also started to explore the phenomenon of co-creation and the active role of customers (Ordanini and Pasini, 2008; Vargo and Lusch, 2004). The service view postulates that the seller does not create value alone but that it is co-created by the seller and customer through interaction and inter-firm learning (Lindgreen et al., 2009; Vargo et al., 2008; Möller, 2006). A growing body of relationship marketing literature illustrates the potential to create value in collaborative relationships between customers and suppliers (Perez et al., 2013; Wagner et al., 2010).

Recent research on value creation in business relationships emphasizes the necessity for complementarity (Pallotti and Lomi, 2011), which is associated to symmetry and fit, whilst asymmetry is associated with less stability and conflict (Chassagnon, 2014; Rokkan and Haughland, 2002). Asymmetry is often viewed as detrimental to the process of value creation since suppliers may be confronted with communication and commitment problems that can hamper the long-term relationship success (Blomqvist, 2002; Chen and Chen, 2002).

However, the development and growth of many technology ventures, both in the USA and Europe, has hinged on their ability to develop successful relationships with large industry players (Ariño et al., 2008). These asymmetric relationships, generally characterized by large dissimilarities between suppliers and customers, appear to defy established wisdom regarding the positive relationship between symmetry and long-term relationship success.

If the inherent imbalance in relationships was such a problem then these technology start-ups would not enter into a relationship and they would not endure. This is clearly not always the case and smaller suppliers do enter such relationships with larger customers and tolerate the imbalance (Blundel and Hingley, 2001). Furthermore, as noted by Hingley "their larger partners see benefit in dealing with smaller suppliers who offer advantages because of, rather than despite their size" (2005, p. 851).

Various authors have called for further research to examine the process of value creation in asymmetric relationships that involve under-developed organizations with limited resources and experience in order to foster successful innovation (La Rocca et al., 2013). For technological start-ups, value-creation through rapid new product development is critical to gain access to early cash flows and increase their odds of survival (Ketchen et al., 2007). They need to learn how to collaborate with partners who have more resources, power and wider social networks.

We seek to respond to this lacuna by empirically examining learning relationships between small, technology intensive ventures and large industry leaders using case studies. With this in mind, sections 2 and 3 provide a review of the literature on business relationships, with particular attention to the benefits and challenges of asymmetrical relationships with customers, specifically focusing on the dimensions identified as significant in value creation. Section 4 outlines the methodology used for the purpose of this investigation. The case study method is considered fruitful for studying such complex phenomenon as interfirm learning (Roseira et al., 2013; Ariño and de la Torre, 1998). Specifically, we have chosen an inductive approach to theory building, through a longitudinal observation of both partners in two learning relationships (one success and one failure). This is followed by a brief description of the relationships we studied and a detailed presentation of the methodology used. We then discuss our findings leading to the implications for practice and conclusions.

2. VALUE CREATION IN BUSINESS RELATIONSHIPS WITH CUSTOMERS

2.1.-Value creation in B2B contexts

A firm does not create value in isolation. Innovation requires a firm to develop specialized knowledge and capabilities whilst repositioning itself in value networks to complement its resources (Frow and Payne, 2011).

The literature on value creation recognizes the importance of relationships and understanding and building value in a business relationship context (Palmatier 2008). Relationship value is a measure of joint outputs (Ballantyne et al., 2011) underpinned by cooperation where the quality of the relationship is vital to create joint value (Payne et al., 2008). Perceptions of value are also important as they guide partners' behaviour and influence the pattern of interactions in business relationships (Corsaro and Snehota, 2010).

In advancing the understanding of business relationships marketing thought has evolved from a goods dominant logic (G-D), where value is embedded in the goods produced by suppliers and targeted to customers, to a new paradigm where customers participate in the process of value creation, namely, the service-dominant logic (S-D) (Vargo and Lusch, 2008a, 2008b, 2004) or service logic (Grönroos, 2011, 2008). The service-dominant logic and service logic share the view that "value is created in the users' processes as value-in-use" (Grönroos 20011, p. 242). That is, value is not created by exchange but by the customers during the use of goods and services (Holbrook, 1999).

Customers are no longer passive targets of marketing actions but active operant resources that can determine and create value in their value-creating processes (Macdonald et al., 2011). Therefore, marketing has moved further away from the transactional view of exchange to embrace a more relational view. Value is not merely created and delivered by the suppliers but is the result of their interactions with customers with whom they integrate their resources. Along this line, Vargo and Lusch (2008b) see this co-creation process as a partnering process of increasing cooperation, commitment and learning between the partners.

For instance, learning relationships, associations in which the primary intent of the partners is to learn from each other, constitute an important type of value creating relationships (Khanna et al., 1998; Hamel et al., 1989). Learning relationships often produce innovative, co-created solutions, which are increasingly based on the collaboration of networked firms from different industries with low levels of knowledge redundancy (Lubatkin et al., 2001). Sometimes, customers are also embedded in such networks. Through experimental projects firms share and combine their resources in innovative ways which facilitates the creation of new knowledge and not just the exchange of existing knowledge (Anand and Khanna, 2000).

Value creation is often used to mean more than one phenomenon. On the one hand, value creation denotes the customer's creation of value-in-use and on the other hand it is also used to indicate the entire process from development to delivery, as well as back-office and front-office activities and also including the customer's creation of value-in use. To avoid confusion, some authors (Grönross, 2011) recommend using the term "value creation" and the expression "value-creating process" only for the customer's creation of value-in-use and "value generation", and "value-generating process" for the more extensive process. This distinction may contribute to create a better understanding of how value for customers really emerges.

2.2.-Generation of value in asymmetrical relationships

The generation of value in asymmetrical relationships is a relatively new area (Andersen and Kumar, 2006). Recent studies indicate that when resourceful large players and small innovative firms form complementary collaborative relationships, both parties may enjoy considerable benefits. For the large company, technology start-ups may offer the opportunity for increased organizational flexibility and innovative technologies, products and services necessary to update and differentiate the large partner's offering, and improve its competitive position. Partnerships with small firms may also lower the risk inherent in new technologies and projects and postpone or replace the need to hire new employees, in that they extend the personal networks of the large firm's employees. Conversely, downstream savvy customers represent a unique opportunity for small firms to access to the large partner's resources networks and develop solutions they could not develop on their own. Stuart et al. (1999) also found that endorsement by industry leaders increased sales growth rates among US semiconductor startups and resulted in faster initial public offerings and higher valuations among US biotechnology startups. A large demanding customer forces the small firm to increase its competitiveness by continuously producing high-quality solutions in shared projects (Blomqvist, 2002).

Although asymmetric relationships are becoming increasingly common (Baum et al., 2000), and the potential benefits are well established, many of these relationships have failed to create economic value; and even when economic value has been created between entrepreneurial and large firms, that value has not fairly distributed. The large partner often appropriates most of the value and the survival of the entrepreneurial firm is put at risk (Prashantham and Birkinshaw, 2008; Fischer and Reuber, 2004; Baum et al., 2000).

Thus, asymmetric relationships face inherent challenges that need to be considered. Small firms entering an asymmetric partnership often stake their reputation and future on the large partner's integrity and willingness to find win-win solutions. Large companies may not have as much to lose. They are less likely to suffer opportunism and have more effective ways of initiating legal actions, refusing further collaboration, and finding alternative partners. Research also shows that a discrepancy in resource involvement by relationship partners negatively affects the knowledge transfer between them (Lin, 2007).

While the relational view has made great strides in helping us understand how complementarity between established large firms affects value creation, little is known if and how complementarity affects value creation in asymmetric relationships. Large companies tend to have detailed long-term strategic plans, stable organizations, and well-proven operating procedures. In contrast, small enterprises are opportunistic and agile; their planning horizon is measured in months not years, and they face many challenges that make survival, not efficiency, the dominant logic (Street and Cameron, 2007; Alvarez et al., 2006). How then can these asymmetric relationships cope with the tensions that arise from having different organizational cultures, priorities and strategies?

In the next section we discuss the relationship dimensions that have been identified in strategy, relationship marketing and entrepreneurship literature as essential for value creation in business relationships. The constructs and their theoretical relationships identified provide the framework to explore how small firms manage and derive value from asymmetric relationships with large customers.

3.-VALUE CREATION DIMENSIONS IN BUSINESS RELATIONSHIPS

3.1-Understanding the role of complementarity in value creation

Firms can create value by accessing and leveraging the complementary resources of a business partner, including information, markets and technologies. Collaboration between firms and customers may not only facilitate the transfer of existing knowledge but also create new knowledge that neither party previously possessed (Anand and Khanna, 2000). Research on small firm cooperation also recognizes the importance of networks to access a diverse range of resources (mainly knowledge and capabilities), particularly when cooperating with well-established companies (Padula, 2008; Grant and Baden-Fuller, 2004; Mowery et al., 1996).

Firms and customers are complementary if one has strengths where the other has weaknesses (Hamel, 1991). Thus, the fundamental logic behind complementarity is a logic of differences. However, the field of strategy has tended to equate long-term alliance success to complementarity, where there is understood to be similarities (Chassagnon, 2014). For example, on the issue of knowledge and learning capabilities, building on Cohen and Levinthal's concept of absorptive capacity, Lane and Lubatkin contend that firms do not have the same ability to learn from all customer firms. Firms learn more from those customers with whom they share common knowledge and informational bases (Lane and Lubatkin, 1998; Cohen and Levinthal, 1990).

From a somewhat different perspective, Dyer and Singh (1998) argue that complementary partners are those who possess distinct resources (typically firms own the technology and product know-how and customers the market knowledge), but that the key ingredient is the existence of a synergistic effect. However, as noted by different authors (Dyer and Hatch, 2006; Ariño and de la Torre, 1998), the issue is often not whether firms and customers have complementary resources but rather whether or not they are able to identify and combine resources successfully. Researchers have found that it is not enough for firms and customers to possess 'strategic' complementary resources, but rather they need 'organizational' complementarity or 'fit'- defined as compatible strategies, goals and communication processes to fully benefit from their relationships (Wiklund and Shepherd, 2009; Dyer and Singh, 1998; Doz, 1996; Nohria and Garcia-Pont, 1991).

Complementarity has also been defined in terms of similarities between the collaborative and organizational cultures of each partner. Firms and customers should enter the relationship with a strong resolve to collaborate and similar views about the importance of benefits and future returns expected from the relationship, as a way for each to best accomplish its own goals and commercial objectives (Chassagnon, 2014; Saxton, 1997). Most importantly, a firm needs to have a clear understanding of the type of learning expectations underlying the relationship with a customer. Thus, sharing similar goals and perceived benefits are additional complementary dimensions that have a positive impact on knowledge exchange and learning (Lubatkin et al., 2001; Saxton, 1997).

On the other hand, one of the main sources of inter-partner conflict in horizontal relationships (companies on the same level of the value chain) concerns private interests and opportunistic behaviour that occurs when strategic intent and commercial objectives are too similar, increasing the possibility of opportunism. This lack of complementarity or fit, will inevitably lead to information being withheld and diminish the potential for value creation. Thus, the question of fit between large firms is viewed as being important in alliance research and equated with a need for symmetry (Cimon, 2004; Khanna et al., 1998).

In the same vein, relationship marketing literature also emphasizes the need for symmetry, whereas asymmetry is associated with less stability and more conflict (Rokkan and Haughland, 2002). Most studies use the difference in size between suppliers and customers, in terms of the total number of employees, as a proxy for asymmetry and different studies examine the link between the imbalance in size and other relevant relationship dimensions (e.g., power, commitment or dependence) (Johnsen and Ford, 2007). These studies aimed to make suppliers aware of the importance of developing a good understanding of the advantages and challenges in their relationships with large customers and the opportunities derived from considering the customer's wider network. Asymmetry is considered problematic for value creation since suppliers may be confronted with myriad problems when managing the relationship (Blomqvist, 2002; Chen and Chen, 2002). However, symmetry can also be defined in terms of similarities, not only in size but also in shape, and/or position (Merrian-Wester, 2013).

In our context, firms and customers do not correspond in size, amount or type of financial and human resources, reputation, industry and technology, and strategies - for example, one partner striving for survival and the other for efficiency (Santos and Eisenhardt, 2009). Consequently, there is a need to better understand the meaning of complementarity, rather than symmetry or asymmetry, in terms of similarities, as well as the differences and use as a construct to explain the success and failure in value-creating relationships with customers.

3.2-Relational Management

Asymmetric relationships are plagued with differences between partners that challenge conventional wisdom regarding their potential for knowledge creation. It is unclear which positive asymmetry drivers may contribute to new knowledge creation or how negative asymmetries could be managed to facilitate learning (Koza and Lewin, 2000). An essential ingredient to facilitate the exchange of information and knowledge between firms and customers is to manage the relationship. Relational Management requires dealing with the cooperative-competitive tension that always exists in business relationships in order to build trust between partners (Morgan and Hunt, 1994), which implies striving to build a high quality relationship. High quality relationships are characterized by high levels of trust, commitment and reciprocity (Palmatier, 2008); but also entail more efficient ways of collaborating and learning (Kale et al., 2001; Söllner, 1999).

Learning about customers and how to work with them is essential to jointly create value. These processes of gaining trust and learning to learn with customers have been proposed as essential prerequisites for joint knowledge creation and relationship performance (Ballantyne et al., 2011). In asymmetric relationships, where the success of the relationship could be vital to the smaller partner, the manner in which the relationship is managed becomes critical. Alvarez and Barney recommend five steps that small technology firms can take in order to mitigate the threat of a disproportionate appropriation of knowledge by a larger partner. Three of them -going it alone, slowing the large firm's rate of learning, and elaborate contracts- clearly limit the potential for learning. The other two – building trust in the relationship and bringing an innovative capability not limited to a single technology – seem to be well aligned with a learning intent but require significant investments in the relationship, particularly in asymmetric relationships (Alvarez and Barney, 2001).

Moreover, building trust in a relationship with a customer firm requires dealing with individual agendas of each of the partner organizations. Decision-making in large organizations is fraught with coalitions and conflicting interests within the firm, and strategic decisions are often based on the wishes of powerful members and their agendas. As a result, decision makers engage in tactics, including the use and control of information and knowledge flows (Eisenhardt and Zbaracki, 1992). This represents an additional challenge for the small firm who often has restricted access to the top management in the customer firm (Prashantham and Birkinshaw, 2008).

3.3-Customer-specific investments

Building a relationship and understanding the customer's business and problems are necessary but not sufficient conditions for knowledge creation. The partnership model adopted by Japanese car manufacturer Toyota and its suppliers represents a good example of how firms willing to create value in business relationships additionally need to make relation-specific investments (Dyer and Nobeoka, 2000).

Customer-specific investments are important to move the relationship away from being arms-length, where it is easy for firms to switch trading partners just because other sellers might offer similar products (Wagner et al., 2010; Dyer and Singh, 1998).

In the analysis of small firm relationships, customer-specific investments have also been found to be a key factor affecting the dynamics of collaboration. Examples may include the active involvement of management teams of small technology ventures in knowledge acquisition activities, and their deliberate efforts to combine resources, among others (Ariño et al., 2008).

Relation-specific investments allow firms to explore and discover innovative ways of combining their knowledge and skills so as to co-develop revolutionary innovations. At the same time, firms assume higher risks as investments become more customer-specific and their value in alternative uses decreases. This is particularly the case in asymmetric relationships where the large partner can behave opportunistically and use its greater negotiating power for its sole benefit (Johnsen and Ford, 2008; Söllner 1998). Others authors sustain that opportunistic inclinations can successfully be offset by attitudinal inputs, as suppliers do no thoughtlessly enter business relationships to get trapped and exploited. Such attitudinal inputs or "shared values" towards collaboration and relational norms serve as appropriate safeguards to prevent the risk of hold-up (Söllner, 1999).

A certain level of trust is a threshold condition for making the investment decisions in a relationship (Blomqvist, 2002) and for the relationship to evolve. Trust is believed to minimize the potential dynamics of opportunism and increases the chances for value creation (Wagner et al., 2010). Trust can replace costly control mechanism and reduces transaction costs (Wathne and Heide, 2000). It also paves the way for informal network collaboration and collaborative innovation (Miles et al., 2000).

In summary, relationships with customers are collaboration agreements driven by a logic of strategic resource needs and social opportunities, with significant potential for value creation.

4.-RESEARCH METHOD

Case studies are considered the most appropriate tool in the early phases of theory development when key variables and their relationships are to be explored (Gibbert et al., 2008), as is the case with asymmetric relationships. Case studies have been frequently used in value creation and interfirm learning studies (La Rocca et al., 2013; Roseira et al., 2013; Dubois and Araujo, 2007; Polo and Cambra, 2007; Ariño and de la Torre, 1998; Doz, 1996; Yan and Gray, 1994; Larson, 1992). Specifically, an inductive approach to theory building through case studies was chosen to gain an understanding of the complex social processes involved in creating knowledge with customers in asymmetric relationships. Based on the literature discussed we first developed an interview protocol (available from the authors) to guide the interaction with key informants. This was followed by a longitudinal observation of both partners in two learning relationships (one success and one failure).

4.1-Case Selection

The study focuses on knowledge creation as a result of collaboration in asymmetric relationships. We chose two business relationships where new product or technology developments were expected to take place. Each relationship focused on the interaction process between a young technology firm and a large, well-established partner. The technology sector was appropriate because rapid changes in market and product developments make knowledge creation in exchange relationships particularly salient (Yli-Renko et al., 2001).

Exploratory interviews revealed that the companies in one of the relationships held contrasting views on how the relationship helped them to achieve their business goals. Its participants saw one of the relationships as a success while the other was seen as a failure. These interviews also showed how the partner companies in each of the relationships assigned different roles to their partners and held different views on the dynamics of their collaborations. The fact that these cases represented different structures of the same phenomenon (Ragin, 2000) fitted our research goals, as it allowed us to investigate the interrelationships among the constructs (Eisenhardt and Graebner, 2007).

4.2-Brief introduction to the two cases[1]

STARTUP1-BSM

Between March 2010 and December 2012 STARTUP1 and BSM worked together on a project named "*Quorum*", which in Spanish means consensus. The name was chosen because they believed a high level of consensus would be needed in the organization in order for the project to succeed. The Quorum project aimed to build a common Internet infrastructure that could be used by all the different medical areas in BSM, The intention was to support their sales efforts and to offer a single site to all doctors, regardless of their medical specialization. STARTUP1, a Madrid based company founded by a young entrepreneur, was specialized in multimedia applications. The company had worked with the Pharmaceutical industry indirectly through publishing companies. BSM represented its first direct access to an industry that allocated substantial budgets to supporting their product introductions. BSM was the Spanish branch of a multinational pharmaceutical company with over 900 employees. In 2009, BSM created an E-Business unit, appointing an E-Business Manager who was a highly recognized doctor in the company. The unit was small so that it could work in collaboration with all the medical areas (i.e., Wound therapeutics, Psychiatric disorders, Cancer, Cardiovascular, Inmunoscience and Infectious diseases) and use external internet-expert suppliers.

STARTUP2-TISA

Between 2009 and 2011, STARTUP2 and TISA collaborated in the commercialization of STARTUP2's solutions in the Spanish hospitality sector. The collaboration combined STARTUP2's innovative products with TISA's dominant position in the Spanish hospitality sector. STARTUP2 was a small entrepreneurial company based in Barcelona. The company had a strong technology orientation and had developed an OCR based solution for automatically acquiring, reading and storing information. TISA was the hospitality division of a multinational group leader in manufacturing and selling locking solutions worldwide. TISA's electronic-based

[1] The identities of the companies are disguised for confidentiality

locking solutions constitute its main product line and are sold under its own brand (over 80% of their sales). These electronic-based locking solutions (e.g., hotel room keys) incorporate software to control the devices. TISA had relationships with major hotel software developers, hotel chains and a network of multi-product independent distributors.

4.3-Data Collection and codification

We studied our cases over a period of three years, which allows for longitudinal patterns to emerge (Santos and Eisenhardt, 2009). The two cases were approached half way through their development process, where relational issues and concerns were still being resolved and knowledge creation was in process. Most process and relational data was collected in real time.

We collected interview data and a large volume of trade press and archival data (business plans, proposals, contracts and e-mails). The evidence used was not restricted to documents shared between the partners but also included materials from the files of each of the partner companies that reflected their own private analyses. We conducted semi-structured interviews (personal and by phone) in both case companies with CEO’s, e-commerce, IT, sales and marketing and support managers. We targeted questions according to the person’s role in the company. A total of 25 interviews, both in the supplier and customer firms, were conducted (13 in the failure case and 12 in the successful one). These multiple sources of evidence contribute to enhance the results of qualitative research (Eisenhardt and Graebner, 2007; Yin, 2003). In preparation for the analysis, we transcribed and coded the data into categories (variables) according to the frequency with which it was observed.

4.3-Data Analysis

In order to address our research question, we relied on the relational view to guide the analysis of the case data. The analysis consists of categorizing; recombining and displaying the case evidence at project level. First, we prepared an outline of events to map the evolution of each alliance chronologically. This was carried out to facilitate the study of each one independently as a result of partner characteristics and major events that occurred over time. Then, insights that emerged from the successful case were compared with those from the failure using tables and graphs to identify consistent patterns and themes. We then compared our observations with the constructs, relationships and models from business relationships (symmetric and asymmetric), taken from the fields of strategy and marketing, adopting a pattern matching strategy. Our analysis was assisted by means of MaxQDA2 software. In the second step of the analysis process we applied the explanation building technique for the observed differences between symmetrical and asymmetrical relationships (Yin, 2003; Miles and Huberman, 1994).

4.4-Validity and Reliability

In order to ensure methodological rigor, in terms of validity and reliability, we followed guidelines recommended by various authors (Gibbert et al., 2008; Yin, 2003; Miles and Huberman, 1994). To increase construct validity we proactively searched different sources of evidence as a means of triangulating information and developing converging lines of inquiry; the creation of a chain of evidence; and the revision of the case study report by key informants. To improve the construct reliability we created a database where reports and documentary evidence were stored. Additionally, we established a research protocol to guide the data collection, coding and analysis.

5.-FINDINGS

The present research attempted to shed light on the question of how technology start-ups can overcome their limitations, in terms of the amount of resources, power, experience, and relationships, and successfully generate value in business relationships with large customers. Our study's results provide a number of interrelated constructs in the process of value creation. Namely: resource complementarity, interactions with customers, relational management, customer specialization, and dual value appropriation. This process evolved from the initial agreements between the firms, where resources were clearly defined through dual value appropriation. As Figure 1 demonstrates, relational management played a key role.

5.1.-Resource complementarity: Size and Knowledge asymmetries

The inter-industry relationships examined exhibited significant differences, not only in size but both in the amount and type of resources (the large partner has the market understanding and financial muscle and the small partner the technology know-how). These differences make asymmetric relationships valuable for both partners by helping each of them efficiently fill resource gaps. The larger partner can become more entrepreneurial whilst the smaller partner can survive and grow (Street and Cameron, 2007; Zahra et al., 1999).

Based on our observations we propose that significant differences in the type and amount of resources in asymmetric relationships position the small firm as a non-threatening, low-risk partner, which in turn facilitates relational management and knowledge exchange.

During the course of the initial stages of the two relationships we observed the interplay between different factors driving its progression. For instance, in Case 2, STARTUP2 had the product and technology know-how while TISA understood the hospitality market and had relationships with hotels and major software developers. In spite of having minimal knowledge overlap, STARTUP2 was able to identify knowledge that was valuable to the TISA sales and support departments. From the sales department they understood the practical implications of their OCR-based solution for hotels as it could prevent long waiting lines at the front desk. From the support department STARTUP2 learned how to integrate their solution with main software of the hotel, necessary to successfully sell in the hospitality sector.

Thus, while the absorptive capacity literature prescribes that there is a need for knowledge overlap for firms to understand each other and learn, the evidence from asymmetric relationships shows that little overlap is needed or even desired. When firms have very different information and knowledge bases (e.g firms from different industries) they cannot simply acquire the partner's unrelated knowledge. The globalization of markets and pressure to innovate has left companies with no time to effectively absorb and use unrelated knowledge. Firms are forced to cooperate and learn to interact with customers shared projects.

5.2.-Interaction with Customers

The relationships examined were characterized by a low chance of conflict, particularly in reference to what each partner should contribute, and a lesser need to protect oneself from a learning race (e.g., competing technologies). This in turn, facilitates the interaction and relational management and helps move the relationship faster towards the specialization cycle.

In the successful case, STARTUP1 developed a clear understanding of the benefits it expected and also appreciated those which BSM anticipated. Understanding what the customer firm expected from the relationship (expected outcome) and how they preferred to work- relational norms (expected process) enabled STARTUP1 to have a basic understanding of its customer, its shared values toward collaboration and its planning goals.

When the goals and commercial objectives are conflicting, as happened in the failure case, the communication and joint decision making processes are disrupted. TISA's margin objectives required a high price for the technology provided by STARTUP2. Conversely, STARTUP2's commercial objectives were to rapidly gain market share and volume, preferring a lower price to reach those objectives. TISA interacted with STARTUP2 only when it suffered technical problems with hotels or when they were in need of a new product feature. TISA had no interest in understanding its supplier's expectations and its concern for value appropriation prevailed over its concern for value creation. In contrast, partners' goals and commercial objectives in the successful case were clearly non-overlapping and more conducive to learning. This improved communication, demonstrated concern for the partner's needs, and increased the chances of novel ideas emerging.

5.3.-Relational Management

Relationship management addresses the complexities of finding the right balance between being purposive (achieving one's own strategic goals) and flexible i.e., adjusting to the customer's needs. We learned from the literature that a small firm should either develop a trusting relationship or a very detailed and elaborate contract to minimize over-appropriation from the partner (Blomqvist et al., 2005). We observed that the ability to manage the relationship with the customer is far more important than the formal contract as a safeguard mechanism, as the sole reliance on a contract leads to minimal learning. In the successful case, firms learned about customers and learned how to work with them. They relied on operating plans, teamwork and communication at different levels. In contrast, Case 2 showed that limited learning occurred due to a lack of collaborative intent from TISA. Partners repeatedly referred to their initial contractual agreement and read it only in terms of their own rights, thus, preventing the collaborative process from evolving. In fact, reliance on contractual agreements seemed to focus attention on the wrong set of issues.

We discovered that the contracting process was more important than the contract itself. We agree with Blomqvist et al. (2005), in so much as the contracting process provides a good opportunity to learn about the partner's expectations, values and work routines, and for building trust.

In contrast to symmetric relationships where executives of equivalent stature typically have easy access to each other, small firms in asymmetric relationships have restricted access to the customer's top management. To overcome this challenge, small firms in the successful relationship identified a champion in the large firm, a middle manager with whom there was a 'meeting of minds' or even a prior work relationship.

These committed champions played a critical role in the relational management process, as innovative projects often imply organizational changes that affect the customer firm in which decision processes are embedded (Walter et al., 2008). For example, in the successful case, the highly respected E-business manager at BSM helped to overcome resistance from the medical divisions, who saw the project as a threat to their autonomy.

Managing the relationship is at the core of a successful learning relationship, irrespective of whether it is symmetric or not. The relational view stresses the importance of social interactions between members of both organizations to achieve leverage from complementary resources. We found these interactions equally central in asymmetric relationships; however, we further observed how the smaller firm assumed the burden of relational management and a higher level of commitment in combining complementary resources in innovative ways. In other words, we observed that in asymmetric relationships, the smaller partner must approach relational management as a one-sided effort.

5.4.-Customer Specialization

Case study evidence showed that customer-specific investments were seen as a clear indication of the commitment and the importance that firms placed on the relationships. These investments allowed small firms to gain an in-depth understanding of the large customer firm's problems, its organization, and the industry in which they operated. In the successful case for instance, the dedicated STARTUP1 account manager, who regularly visited BSM, had a positive impact on the generation of new ideas and new ways of doing things. As reflected by BSM E-business manager's comments:

"*The account manager visited us regularly and we often discussed the problems that different medical areas encounter when dealing with the project and we came up* *with new ideas. We learned together the real application for some of the new technologies and found new applications for existing ones*" (e.g., new tablet PC for all delegates to increase their loyalty).

Driven by clear value expectations, in the successful case, customer-specific investments were initiated unilaterally by the small firms, as STARTUP1's account manager's comments illustrate:

"*We need to prove that emerging technologies in multimedia are useful in a real customer environment with real data, needs and problems.* BSM *is investing its own money (not being part of any research project) and we need to understand why these technologies are so important to them and see the benefits in their own context*"

As small firms specialize through relation-specific investments, they become more dependent on the large customer and, hence, more vulnerable. We observed that such investments occurred after a level of trust existed between the partners. In January 2011, dissatisfaction with the results made STARTUP1 question the way they worked with BSM and adopted a different approach. In the new approach STARTUP1 had to dedicate more technical staff, so as to redesign the wound therapeutics area, due to the large customer's inability to perform their part of the deal. Thus, STARTUP1 increased the time they dedicated in an attempt to improve results. Since redefining and testing the wound therapeutics area for BSM was very specific STARTUP1 needed to be reassured about how the partner would respond if it were to make those investments. Comments from the account manager confirm that the necessary level of reassurance existed:

"*We worked well together. The problems were typical of those encountered in innovative projects at an early stage. Access to information was not a problem*".

Customer-specific investments also sent a positive message and contributed to consolidating the relationship and creating knowledge. Simply put, if partners are satisfied with the relationship, they are more willing to accept delays and setbacks in fulfilling the project goal, and to persevere with the relationship (Patzelt and Shepherd, 2008), thus increasing the chances of obtaining better results as new approaches can be tried. As BSM's E-Business manager expressed:

"*In January 2011 results were very frustrating but we kept working with STARTUP1 because we trusted them and thought that our work as a team deserved better results*".

Consistent with the literature, our findings suggest that customer-specific investments are a necessary ingredient to create new knowledge. However, they also differ in important ways due to the implications of value appropriation, as we will explain in the following section.

To summarize, asymmetric relationships exhibit an entrepreneurial attitude toward specialization from the point of view of the smaller firm. Rather than having customer-specific investments clearly outlined in an ex-ante contract, the smaller partner must unilaterally risk investments based on their own assessment, rather than based on a negotiated agreement. This unilateral specialization has the dual effect of improving the relationship and supporting the knowledge development effort.

5.5.-Dual-value appropriation

Relationship marketing makes a clear distinction between 'value creation' and 'value appropriation' (Wagner et al., 2010; Mizik and Jacobson, 2003). Value creation describes the total net value (total outcomes minus total inputs) created as a result of the collaboration among exchange partners. Value appropriation represents the net value that a focal firm claims successfully. Thus, a focal firm might achieve superior value because of superior value creation among the exchange partners, superior appropriation of the value pie or a combination of both. In contrast, in the case of value creation this is seen as a win-win scenario; value appropriation results in partners splitting the value pie and therefore a larger slice for one partner diminishes the remaining slice for the other (Wagner et al., 2010; Söllner, 1999). Research on learning relationships dedicates great efforts to the problem of who appropriates the value and how to avoid learning races that restrict knowledge transfer and innovation (Norman, 2002). Moreover, Alvarez and Barney (2001) argue that in the case of asymmetric relationships much of the value is appropriated by the larger partner and prescribe ways in which the smaller partner can mitigate this misappropriation.

In our successful case we observed a different phenomenon- a dual appropriation of value where each partner fully appropriates a different and unique value from the relationship. This case provides an interesting example of how the supplier and customer viewed the potential benefits of their collaboration as independent outcomes. The joint creation of distinct knowledge could be completely appropriated by both in a way that each extracted idiosyncratic value that did not diminish the value appropriated by the other. This point is illustrated by comments from both company informants.

"They are our first direct pharmaceutical company. We can learn about the dynamics of this industry by undertaking big and complex projects that can benefit from our advanced technological skills. We will understand the value of the technologies we work with in a real scenario, in an industry that is expected to grow. This project will have international visibility within the company and if the first site performs well we can easily start working for other business units and other related companies. This will allow us to grow during the next 2-3 years".

"Since new product launches increasingly target a small number of customers we cannot invest the same financial resources to support every product launch. We need to test the effectiveness of alternative low cost channels in reaching doctors and generate prescriptions whilst offering doctors the same look and feel of our web site".

Thus, the knowledge jointly created represented different "value-in use" for the supplier and the customer. For the pharmaceutical company the *value in use* is to explore new technologies that can help the company keep up-to-date, given the trends in new drugs and the channel costs, and offer the same brand image to all doctors, regardless of their specialization. In contrast, for the small firm the *value in use* is the endorsement, the understanding of the pharmaceutical industry and having access to the customer's social networks.

We conclude from our observations that asymmetric relationships are not a zero-sum-game. Each firm determines value in its own terms and according to its use. Since the 'value in use' for the supplier is different from the "value in use" for the customer, the value appropriated by the supplier will not diminish the customer's value slice.

As the dual-value generated can be fully appropriated by the partners, small firms see customer-specific investments as a way to build their own core competencies and gain presence in a given industry.

6.-IMPLICATIONS FOR MANAGEMENT

To create value firms engage in relationships with customers as a way to access complementary resources. Resource complementarity implies managing the strengths and weaknesses of both customers and suppliers, to create more value that neither of them is able to create on their own. When thinking about the amount and type of resources, objectives and priorities, or even vocabularies in asymmetrical relationships, differences over similarities clearly prevail. Young technology-intensive firms entering a new industry or market may not have the market knowledge and distribution capabilities, whilst large industry leaders do not necessarily own new value-generating technologies. Paradoxically, although knowledge asymmetries are probably the main reason for learning relationships to exist, industrial marketing has often assumed that asymmetries have a negative influence on relationship success. Thus, the potential benefits of wider cognitive resources are often consumed by conflicts resulting from greater social integration and communication problems from such dissimilar partners. Simply put, asymmetries are equated to lack of fit or compatibility among firms. Thus, asymmetrical relationships should fail. Given that our research identified one successful asymmetric relationship we searched for rival explanations which resulted in deeper insight into a novel concept, the concept of "dual-value appropriation". Here, firms do not split the pie of the total value generated, as frequently proposed in the literature, but fully appropriate it as it represents a different "value-in-use" for each of them. Dual-value appropriation facilitates knowledge exchange and avoids the learning races that typically result from learning relationships where firms obtain value at the expense of their suppliers.

Asymmetry can actually facilitate knowledge creation and compatibility by clarifying the roles each partner plays in the relationship and reducing the cooperative-competitive tension. Thus, the question of fit should not necessarily be equated to a need for symmetry but to the ability of learning to work together. The fact that firms and customers don't need to share the value jointly generated further facilitates relational management and promotes customer-specific investments. Small firms expect full return on their investments, as they don't share the pie with the large firms. For the small firm, investing in the customer firm simply means investing in its own future.

With respect to relational management we point to several interesting insights. We highlighted the important role played by the champions in developing communication and trust, as small firms do not have easy access to top managers in large corporations. We found that the relational management effort was mostly unilateral and required an entrepreneurial attitude on the part of the small firm.

The specialization concept and its relationship with relational management also showed interesting features. We found that most of the relation specific investment, as with relational management, was unilaterally made by the smaller partner and triggered by its own dissatisfaction with results. This structural asymmetry should be expected and can be at the core of an entrepreneurial firm's network capability.

7.-CONCLUSIONS

Value creation and value sharing are the raison d'être of business relationships (Möller, 2006; Walter et al., 2001). This paper focuses on such processes, considering the specific case of asymmetric relationships. As the literature on asymmetries is scarce, this research provides novel theoretical and practical contributions to the marketing literature by developing a better understanding of the complementarity construct in value creation and value sharing with customers.

In terms of potential benefits resulting from relationships and networks, extant theory conceptualizes complementarity as differences in resource types with potential for synergistic effects. However, when asserting relationship success, complementarity is based on similarities in values, processes, strategies and knowledge. Our findings suggest that under conditions of asymmetry, firms can resort to specific asymmetry drivers and must expect an uneven allocation of resources, both in terms of relational management and specialization, to achieve their learning objectives.

Research on asymmetric relationships has often placed emphasis on confrontational issues, of David against Goliath. This perspective is highlighted in "Dancing with Gorillas" (Prashantham and Birkinshaw, 2008), "Buyer Dominated Relationships" (Holmlund and Köck, 1994) and "Swimming with Sharks" (Katila et al., 2008), where the smaller partner is assumed to have an inferior position and must resort to activities to minimize value misappropriation. In contrast, our findings emphasize collaboration over confrontation, and full value appropriation of knowledge created over uneven distribution. Consistent with other authors (e.g., Johnsen and Ford, 2008) , we also found that the specialist technical knowledge of the small firm and the ability to apply it in new project developments provided them with more power and influence in their relationship with large customers.

From a service perspective, a customer is not only a source of business but also a business resource, a learning partner that can be used by the firm to jointly create value. However, we agree with (Ballantyne et al., 2011) in so much as more reciprocity is needed in understanding this co-creation process.

Our findings extend the service view as we have identified two innovative ideas that contribute to the shared "value pie" in value-creating relationships, an area that is seen as under-researched (Jap, 2001). First, the idea that the value created in highly dynamic business relationships can be fully appropriated by both partners begs the question of how and under what conditions. It is clear to us that asymmetries are key to answering these questions because they often lead to significant difference in "value-in-use". Second, the different customer and supplier value-in-use also questions the assumption that relation-specific investments are non-replicable, hence, creating dependency and moral hazard. Contrary to popular belief, our successful relationship showed that each firm's investment in the relationship resulted in learning that only that partner could exploit and take advantage of in the future.

Moreover, our findings highlight that co-creating value with customers in asymmetric relationships requires an entrepreneurial approach. The smaller firm picks a customer based on the potential for dual appropriation, and takes a leadership role in relational management and specialization. Specifically, entrepreneurial firms seeking relationships with large industry leaders have to expect and embrace responsibility for managing the relationship and for unilateral specialization efforts to take full advantage of the value appropriation potential sought by the relationship.

Despite the relevance and usefulness of the present study, we feel obliged to recognise a series of limitations. First, results are based on case studies and most data are qualitative in nature. Some biases related with the interpretation of data may arise. However, we have followed all the recommendations made in the specialized literature (e.g., Yin, 2003; Miles and Huberman, 1994; Dubois and Gadde, 2002; Piekkari, Plakoyiannaki and Welch, 2010) to assure validity, reliability and objectivity in industrial marketing. We have used several sources of information and all data have been triangulated. Case protocols and a complete database were also established. Finally, preliminary findings and reports were discussed with key informants in both relationship companies in order to obtain feedback, with a view to ensuring that the conclusions reflect the reality. Second, results are based on the Spanish technology sector. The generalization of conclusions must be done with caution. However, this is one of the classical restrictions of case studies research and is one of the proposals we have made for future research. In our opinion, replicating this study in other industries and countries would enrich the body of literature in asymmetric relationships, as cultural dimensions may affect the dynamics of relationship management.

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Figure 1: The process of value generation in asymmetrical business relationships