

**FROM DYAD TO TRIAD:  
MANAGING DIFFERENTIATED Vs. UNDIFFERENTIATED RELATIONSHIPS**

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**Abstract**

Triadic approaches are far from being common when studying relationships in the field of business to business marketing. Nevertheless, a growing number of scholars are discussing the potential of such approaches (Dubois, 2009; Wu & Choi, 2009). Dubois (2009), for instance, emphasizes the interest of a triadic perspective to analyse “*how dyads influence or are influenced by other dyads*”. If most of the works on triads refer to Simmel (1950), the triadic concept is progressively adapted to the study of business to business relationships (Havila, 1996; Havila et al; 2004; Smith & Laage-Hellman, 1992; Vedel, 2010).

The objective of this working paper is to add to the existing background on triadic perspective on BtoB by: first focusing on the specific issue of the shift from a dyadic relationship setting toward a triadic one (what we call the dyad-to-triad transformation) and, second, using different concepts borrowed from Simmel’s works.

**Keywords**

Dyad – Triad – Simmel - Suppliers

## INTRODUCTION

Business-to-business relationships are usually analysed as dyadic settings, whether they are established between a company and a customer, or a company and a supplier (Havila et al., 2004). Nevertheless, since the beginning of the 90s (Smith & Laage-Hellman, 1992), several scholars have introduced triadic relationships as the basis of their research work in the marketing field or that of the supply chain. Without contending that the triad must absolutely be considered as “*the smallest unit of the network*” (Choi & Wu, 2009), one may recognize that triads make possible the observation of the specific influence of one triad on another (Dubois, 2009; Ritter, 2000). Nevertheless, the specific “dyad-to-triad transformation” has never been the specific focus of these works. This is the purpose of this paper. Most of the works on triads refer to Simmel’s and for the most part refer to the role of the “third” in a triadic setting with reference to the classical figures of “*Mediator*”, “*Tertius Gaudens*”, “*Divide et Impera*” (Wolff, 1950, p. 145). But throughout his numerous works Simmel not only qualified the “third party”, but also proposed an analysis of the transformation of groups according to their size. The “dyad-to-triad transformation” - though not a priority in his works - nevertheless received interesting new insights. These are the aspects of Simmel’s work that will be used as the basis for our work.

What triggered this research was a specific business situation (that we will describe in greater detail in part three). The situation is one of a company/supplier dyadic relationship evolving toward a “company/supplier/supplier” relationship where the company asks two suppliers to work together. Such situations have already been described for instance by Dubois and Fredriksson (2008) or Choi and Wu (2009). Authors have, as a rule, analysed the impacts of such evolutions. Dubois and Fredriksson (2008) for instance introduce the concept of “*triadic sourcing strategy*” as a way for buying companies to “*nurture and benefit from cooperation*

*and competition between two suppliers with partially overlapping capabilities*” (p. 176) and they see such a situation as potentially (under certain circumstances) contributing to *“efficiency and innovation for the buyer and the two suppliers”* (p. 170). Wu et al. (2010) are, for their part, much more balanced in their results which show that when a buying company facilitates supplier/supplier co-competition then suppliers seem to *“oblige and comply”* but that a *“co-operative relationship between suppliers has a negative association with supplier performance”* (p. 120 & 121). But whatever the nature of the result of “triadic” supply, the core of the works remains the “value” of the new relationship setting and not the “dyad-to-triad transformation” per se.

This paper is organised as follows. First, we discuss how the issue of the dyad-to-triad transformation has been treated in previous business studies. The second section presents Simmel’s perspective on such a transformation and clarifies concepts such as “triviality”, “intimacy”, “individualization” and “differentiation” in Simmel’s works. The third section presents a business case illustrating a dyad-to-triad transformation in a supply network. Finally, the business case is analysed using the different conceptual dimensions selected. Theoretical and managerial implications are outlined.

## **LITERATURE REVIEW**

### **Triadic views of business relationships**

Smith and Laage-Hellman (1992) emphasize the interest of triad structure in the study of business relationships arguing that they *“would offer the twin advantage that they represent the minimum unit size capable of demonstrating network flows and the role of indirect relationships, while maintaining the potential for simplification”* (p. 40). A similar point was made by Choi and Wu (2009). Hakansson and Prenkert (2004) define the triadic unit as *“the object of the networking activity”* (p. 87) in the sense that it makes it possible to observe

“connectedness” (the connection of relationships between them). Or, put differently, the structure of connected business relationships is triadic by nature. Moving from dyads to triads allows changes to be explored that are no longer “confined” (i.e. limited to the dyadic relationship) but that are “connected” (changes that spread all over the network) (p. 87 and also Halinen et al, 1999). Transformations within a triad were largely described by Smith and Laage-Hellman (1992). Ritter (2000) proposed qualifying the nature of the impact one dyad may have on another in a triad. Harrison et al. (2012) were attentive to what provokes change in a triad. Nevertheless the transformation from one situation (the dyadic setting) to another situation (the triadic setting) is never the core of the works, to the extent that we have analysed them.

### **Dyad-to-triad transformations**

Several types of “dyad-to-triad transformations” were identified by Smith and Laage-Hellman (1992). The authors identify different types of customer/supplier/supplier triads depending on whether suppliers compete or offer complementary resources. Smith and Laage-Hellman (1992) also describe situations where suppliers are both “competing” and “cooperating”. They describe the case of a customer in the steel industry stipulating a multiple source of supply (to prevent any monopoly supply situation) then placing the incumbent supplier to train a competitor. As the authors comment in such a new triadic setting the two suppliers are “*competing for volume sales*” while at the same time they are “*mutually dependent*” which opens out on a situation where “*the absence of one threatened to place all future sales of the material in jeopardy for the other*” (p. 45). Smith and Laage-Hellman’s (1992) study is an important one to review because the authors pay specific attention to the “transformation patterns” of the relational settings they are studying. Although they are primarily interested in the triad as the basic unit of their analysis, one of the patterns described may still be considered as reflecting the “dyad toward triad transformation”. They call this pattern

“separation” and describe it as a transformation where a focal actor changes a direct relationship into an indirect one by integrating a third actor. Separation “*operates as a means of distancing oneself from an interaction partner*”, a “*means of insulating a network member from the uncertainties and risks associated with direct interaction*” (Smith & Laage-Hellman, 1992, p. 56 & 57).

Madhavan et al. (2004) identify two generic reasons that can lead three actors already connected in two dyads (for instance A, B and C with relationships already set up between A and B, and between B and C but with no relationship between B and C) to evolve toward a “*real triadic structure*” (with each actor being connected to the other two). Such a shift may be performed for “*clustering reasons*”. In this case, companies consider that none of the two dyads concerned “*possesses all the necessary resources to achieve an advantage*”. Moving toward “*real triad*” can be related to “*the cooperative aspects of alliance behaviour*” “*aimed at creating value for all three*” companies (p. 921). On the other hand, the move toward real “*triadic structure*” may be motivated by “*countering*” reasons. In that case, the third dyad (between the two still disconnected actors, B and C in our example) is created so as “*to reduce the value appropriated*” by the connecting actor (A in our example).

Wu and Choi (2005) review the different studies focusing on supplier-supplier relationships. They conclude that different types of supplier-supplier relationships have been described by several authors (Anasuma, 1985; Kamath and Liker, 1994) and they propose that these relationships are considered as falling within each of the following theoretical relational types: cooperative, competitive and co-opetitive. Wu and Choi (2005) describe different case-studies where a company brings another supplier to an already existing “*company/supplier*” dyadic relationship, thus transforming an initial dyad into a triad. The company impulses such a transformation either because it considers that it is over reliant on one supplier, or because the relationship with the incumbent supplier is considered as “*lagging*” (Wu & Choi, 2005, p.

37). Wu and Choi (2005) pay attention to the consequences (gains or losses) of such a transformation for the different partners involved. For those that undergo the transformation (i.e. being a member of a dyad toward being a member of a triad) they can gain more knowledge (of the focal company through the third member, but also directly about the third members' competencies), they can also "*achieve flexibility in managing their capacity and capability by pooling resources*" (p. 44). But at the same time the entry of the third party may also result in a loss of "*core competencies*" if there is an obligation to share knowledge, and also a risk of losing "*the goodwill*" of the focal company (the one that initiated the transformation) if the second member doesn't want to cooperate with the entering third member.

More recently, Choi and Wu (2009) refined their work and theorized the different basic behavioural patterns in a triadic context in supply networks. Their work describes the relationship characteristics in the triad whether they are "positive" or "negative". Positive or negative assessment of a relationship is inspired by the balance theory studies (Cartwright & Harary, 1956; Heider, 1958). A relationship is considered as a positive one when it is "cooperative, predicated on mutual trust and commitment" (p. 11) A "negative" relationship is an "*adversarial, exit based relationship that arises from inequity and distrust between two firms*" (p. 11).

## **Synthesis**

The way a member of a dyad "lives" a dyad-to-triad transformation certainly depends on the output of the transformation. Following Wu and Choi (2009) this output must be considered as a positive or a negative one according to the positive or negative characteristics of the two relationships (one newly created the other being reconfigured by the transformation). Relationships – in their turn – are considered positive or negative depending on what they

allow (gain or loss, see Choi and Wu, 2005) and what they are (cooperative or adversarial, based on trust or distrust). We think, however, that there must also be an impact of such a transformation that is not only due to the “content” of the new relationships thereby created, but also that there may be a “formal” impact: from two to three, something happens that makes an actor consider the new relational setting in a specific way, and this cannot solely be grasped through the “content” of the new relationships (positive or negative) in which the actor is now entangled, but really because “there were two of them and now there are “three” of them.

### **SIMMEL, DYADS & TRIADS**

By drawing from Simmel (and other authors who have used and adapted his concepts) we are largely displaying a selective and instrumental approach. We are only borrowing key concepts and are certainly not trying to interpret his work globally. Our purpose is more that of showing how the use of these seminal works may help us improve the analysis and understanding of business relationships.

As Caplow reminds us (1968), Simmel never spoke of dyads or triads... He used different German expressions. The terms dyads and triads were first proposed as translations of these expressions when Simmel’s papers were published in the *American Journal of Sociology*. Nevertheless, these are the terms we are going to maintain in this section. For Simmel, “*in the combination of two and three, the number determines the inner life of the group. But it does not do so in its capacity of a mere quantum. The dyads and the triads show their characteristics not because they have these respective sizes as total groups: what we observe, rather, are the determinations of every single element through its interaction with the other two elements*” (Wolff, 1950, p. 174).

## **The specificities of the “simmelian dyad”**

Most of the time, actors of a dyad don't see the dyad as an autonomous entity. Each actor sees itself in relation to the second actor but not in relation to a more enlarged entity, which is what Simmel calls a “super-individual unit” (Wolff, 1950, p. 126). For Simmel, this is due to the fact that if an actor leaves the dyad then the dyad ceases to exist, whereas if an actor leaves a triad, a group (a dyad) will survive its departure... As Simmel explains, dyad is a specific form in the sense that in a dyad an actor needs the other one to do something (*the raison d'être* of the dyad) but alone, it can destroy the dyad.

Simmel's works on dyads and triads have already been used by scholars working on business relationships (Choi & Wu, 2009; Holma, 2010; Hunter, 1998; Salo et al., 2009). The question of whether works from Simmel - primarily seen as describing relationships between individuals - can apply to inter-organizational relationships has already been answered by Caplow (1968) who, when writing about a triad says “*members may be either individuals or collectivities*”. Nevertheless, one should note that Simmel in his works discusses two cases considered as being specific dyads, particularly regarding the absence of a “super-personal unit”. The first case concerns the “monogamous marriage” for which Simmel explains that because it is “*socially regulated*” it displays “*relatively fixed forms*” that then give it a “super-individual” character. The second case is the one of dyads of “business partners” for which the “business” is an objective (super-individual structure) and the “*relationships serve as the means of obtaining certain objective results*” (Wolff, 1950, p. 132). But business seems to be considered there as only a question of “rights and duties”. We will now follow Caplow (1968) and consider simmelian dyads and triads as possibly dyads and triads of “organizations”.

### **Simmel's view of the dyad-to-triad transformation**

Triad adds the possibility for two actors (of the triad) to be connected not only “directly” but also through their contact with the third actor. This possibility may be considered as “enrichment” (Wolff, 1950, p. 135). For instance, conflicts between two parties that these parties cannot solve may be solved by a third party. On the other hand, the “third” also brings disturbance to the dyadic relationship and may be regarded as an “intruder”. But what does Simmel mean by intrusiveness of the third? When moving towards a triad, a dyad acquires “*once and for all a super-personal character*” (Caplow, 1968, p. 19). This is not only a question of “more members”, but a real change in the nature of what happens between these members, or, as Krackhardt (1999) summarizes: “*triads are fundamentally different in character from dyads. This difference is not simply due to the fact that triads have more participants. Rather this difference is one of quality, of dynamics, and of stability*” (Krackhardt, 1999, p.184).

### **Triviality and intimacy in the dyad-to-triad transformation**

Dyad-to-triad transformation according to Simmel raises the question of both “*triviality*” and “*intimacy*” of a relationship. For Simmel, the triviality of a relationship refers to the “*repetition of the same contents, situations and excitations within the relationships*” (Wolff, 1950, p. 125). Triviality has an impact on the value of a relationship in the sense that “*no relationship is independent, in its inner significance for the participants, of the factor of “how many other times, too”*”; and this factor may even refer to the repetition of the same contents, situations and excitations within the relationships” (Wolff, 1950, p.125). Or, put in other terms, the value of a relationship not only depends on the content of the relationship but also on the “rarity” of this relationship. The question of “triviality” is raised differently in a triad when compared to a dyad. This is because a dyad does not offer a “super-individual unit” –

something that is beyond the two members of the dyad - it is then “*inseparable from the immediacy of reciprocal interaction*” (Wolff, 1950, p. 126). In such a setting, individuality - in the sense of what is unique or rare - plays a leading role. In a triad, things “formally” appear in a different way. Triads, as for them, create that kind of “super-individual unit” (in a triad one member can leave and the group will still exist...) which “transcends individuality” and therefore does not pose the question of the necessity of “uniqueness and rarity”. Triviality may exist in a triad. A triad does not require “uniqueness and rarity” of relationships to be able to exist, while the value of relationships in a dyad depends on rarity and uniqueness, which leads Simmel to say that in a dyad, “*the tone of triviality frequently becomes desperate and fatal*” (Wolff, 1950, p. 126).

The idea of “intimacy” - that today largely pervades the marketing literature - was already raised by Simmel. Simmel puts forward an understanding of the intimate relationship as one for which members (of the relationship) consider that “*the internal side of the relation is felt to be essential*” (Wolff, 1950, p. 126). The “internal” side of the relationship is here referring to its “*specific content that is shared only by the members, not by outsiders*” (Wolff, 1950, p. 126). Intimacy is not then based on the *content* of the relationship, but on the fact that the axis of the relationship is considered as being what the participants share between them and not with the others... It may appear that what participants share between them are “*irrelevant matters*” (Wolff, 1950, p. 127) but it is intimacy to the extent that it is not shared with the outside. Dyad is by definition the place of intimacy in the sense that there is no “super-individual” structure that can interpose between the members. As soon as a third member enters, it creates a “super-individual” entity that can distract the initial members “*seeing only one another*” (Wolff, 1950, p. 127).

## **Individuality and the dyad-to-triad transformation**

Making it clear how Simmel defines “individuality” and “individualization” is not an easy task. As Lipman (1959) says “*Simmel wavers in his formulation of individuality: “interpretations of individuality vacillate between the notion that an individual is an elementary unit of some larger complex and the notion that an individual is a single composite organization of parts”* (Lipman, in Wolff, 1959, p. 119 & p. 133). Nevertheless, we can say that “individuality” is connected to the ideas of “*distinctiveness and discreteness*” and contrasted with the ones of “*ordinary and commonplace*” (Lipman, in Wolff, 1959, p. 124). For Simmel, it is clear that the dyad “*favours a relatively greater individuality of the members*”, or put in a different way dyads “*presuppose a greater individualization of their members than large groups*” (Wolff, 1959, p. 137). According to Krackhardt (1999), dyads “*preserve the individuality*” in the sense that “*no majority can outvote*” one party. An actor belonging to a triad is “*less free, less independent, more constrained*” than if he belongs to a dyad (p. 185).

On the contrary, in relations where a majority can overrule an actor (as is the case in a triad) individuality diminishes. Such characteristics have important implications on which “relational setting” an actor will favour according to its “individuality”. At that level, Simmel makes an important difference between two types of individualities. A “decided” individuality (sometimes translated by “qualitative individuality”) refers to “singularity” and is profoundly marked by its difficulty to resist “*suppressive and levelling forces*” (Wolff, 1950, 137). Such individuality will avoid groups where a majority may appear. On the other hand, a “strong” individuality builds itself on the basis of opposition, “*through the fight for its particular character and against all temptation to blend and intermix*” (Wolff, 1950, p. 137). Then, actors with a decided (qualitative) individuality will prefer multiple dyads in which they will find the supplement they need for their singularity / individuality. They are “*predestined,*

*almost, for dyadic relationships, because [their] differentiation and vulnerability make [them] dependent on supplementation by another personality” (Wolff, 1950, p. 137). Actors with a “strong” individuality, on the other hand, will easily confront large numbers. They will prefer triads to dyads where by dominating one, they, in fact, are dominating two...*

As a conclusion, dyads do two things compared to triads: 1<sup>st</sup>, dyads “favour a relatively greater individuality of the members” (wherever you have a “strong” or a “decided” individuality. The only difference is that, if you have a “strong” individuality you are more likely to look – if you have the choice - for a triadic (or even larger group) than a dyadic setting); 2<sup>nd</sup>, dyads protect the individuality, or as Simmel writes they “*do not lower individual particularity to an average level*” (Wolff, 1950, p. 138).

### **Differentiation / undifferentiation and the dyad-to-triad transformation**

Simmel is not only interested in the “*inner group life*” (Wolff, 1950, p. 170) and how the dyad-to-triad transformation impacts this “inner group life”. He also deals with the issue of the group (whether it is a dyad, a triad or a larger group) “*as a whole in its relation to other groups*” (Wolff, 1950, p. 170). If we have said in the previous section that a dyad more than a triad “favours individuality”, at the same time, we must consider, along with Simmel, that when the group grows “*the individual also gains a specific individuality to which the division of labour in the enlarged group gives both occasion and necessity*” (Wolff, 1950, p. 417). This point necessitates clarification in so far as it may appear as a contradiction at first sight. Simmel (1902) explains that when analysing dyads and triads his focus was the individual “*in the case of the dyad and triad combinations, the number determined the proper inner life of the group, but it still does not do this as a quantity; the group displays all those phenomena, not because it, as a whole, has this size, but because the essential thing is the definite relationships of each individual element, on account of its reaction with one or two other*

*elements*” (p. 192). But, when the group as a whole (and not the individual) is “*the object of inquiry*”, then new “qualifications” may appear, the object of which is no longer “*the interactions of the individual in their details*” but rather “*how the group can be surveyed, organized and directed*” (Wolff, 1950, p. 174). Because of this change in perspective, Simmel can lay down what may be considered as a general rule “*the structure of the larger group enables it to give the individual more freedom than the smaller group can allow, because the existence of the smaller circle depends more immediately upon the adequate behaviour of every single member*” (Wolff, 1950, p. 279). Everything proceeds as if the dyad was, in a way “protecting the individuality” of a member (which allows it to be expressed but not to change) and that only larger groups (and this starts with the triad) were “questioning”, “confronting” individualities, whether to strengthen them, or to enrich (then change) them.

This change in perspective also opens for Simmel the possibility of discussing the group in relation to its external relations. Simmel then proposes the idea of “*undifferentiation of actors in a differentiated group*” and “*differentiation of actors in an undifferentiated group*” (Simmel, 1999, p. 690). As we mentioned previously, for Simmel, the narrower the group the less the possibility of individualization for actors within the group. What Simmel adds to this idea is that when the group is narrow (and thus not allowing a strong individuality of members), it is “differentiated” (as a group) and not inclined to devote to another group. (Simmel, 1999, p. 691). As the group expands, more space is given to actors to develop their own individuality, thereby lowering the degree of their “*specificity as members*” of the group, which will result in a low differentiation of the group as a whole and will then open it up to relationships with other groups. This is not without a link to the notion of specialization: “*individuals also gain a specific individuality to which the division of labour in the enlarged group gives both occasion and necessity*” (Wolff, 1950, p. 417).

## THE TECHNICOM CASE

TechniCom is a French high technology group operating internationally with 60 branches and offices in 40 countries. It was once the Communications Branch of Techni (a leader in optronics, avionics, electronics and critical software for both civil and military markets) but is now a private independent group. The group has 4600 employees and its 2012 turnover was 1, 271 million euros. TechniCom operates on markets of broadband, telecom and energy and management of documents. TechniCom products range from faxes and printers, to TV boxes. Technicom offers a comprehensive maintenance service activity. It has earned a reputation with its customers for the quality of its teams, its capacity for innovation - at the cutting edge of broadband and TV broadcasting technologies - and its manufacturing expertise

The manufacturing of TV boxes is located in Tunisia in one of the largest plants of the group. More than 900 000 products are assembled monthly (not only TV boxes but also internet boxes, smart meters...). 3000 employees work for TechniCom Tunisia (there were only 80 ten years ago)

TV Boxes are products with a very short life cycle: only a few years, or even just a few months... This has an impact on the whole strategy of TechniCom “*We must be able to adapt permanently to the new requests and supply our customers quickly, often within a week*”<sup>1</sup>. For TechniCom the geographical proximity between Tunisia and France and the common language were key factors when choosing the location of their plant. This proximity is considered to be a foundation of their competitive advantage: reactivity. China was a cheaper place to be, but adaptations could not be implemented quick enough.

There has been significant investment in the plant: between 10 to 20 million dinars per year. In 2011, for instance, 16 million dinars were invested in the latest state-of-the art equipment

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<sup>1</sup> TechniCom Tunisia Managing Director.

for the assembly-lines. Furthermore a network of different connected actors can now be identified around the plant. A new research and development centre has now been opened in Tunisia and it works in close collaboration with TechniCom French R&D centres. 260 people develop software to be integrated in the products manufactured by the Tunisian plant. The presence of the R&D centre is an important asset. Major accounts such as Orange, SFR... have all their own requirements and TechniCom proposes specific boxes for each of them, and of course develops the software that go with them. The proximity of product manufacturing and software development is an important advantage for TechniCom flexibility.

Flexibility is also the reason why TechniCom has developed specific relationships with nearly a hundred suppliers around the plant site. This is for instance the case with several plastic moulding factories that provide various small plastic parts for the TV boxes. As TechniCom products constantly adapt, so do the products of its suppliers. Once again, the geographical proximity helps to maintain a high degree of reactivity.

In a context of increasingly fierce competition in the TV box sector, the choice made by TechniCom to manufacture in Tunisia appeared to be the right one. The plant turnover went up to 700 M € in 2011 with an increasing market share. But recent political events represented a perceived threat for the country's stability and consequently for the plant operations. Any event (demonstrations, strikes...) at a national level had an effect on the employees and what was happening in the plant. Major accounts were particularly concerned by the situation when full lines of their products depended on the Tunisian plant. They asked TechniCom about its strategy should things evolve in a negative way. Because of this political context and because of the pressure of major customers TechniCom top management decided to find alternatives to secure production.

In October 2013, TechniCom decided to start production of two new TV boxes for two major French customers in an Ukrainian plant belonging to the American group Prodsol. The idea was to double-source – and consequently secure – the production of TV boxes, that would then be manufactured both by a TechniCom plant and ProdSol as a subcontractor. ProdSol is one of the world’s leading global manufacturing solution actors. With more than 60 plants in 33 countries, ProdSol offers production services all over the world to companies belonging to different sectors (Industry, Energy, Defence, Aerospace...). As the ProdSol website mentions *“ProdSol helps companies design, build and take their products to market quickly, affordably and efficiently. But more than that, ProdSol helps customers design their supply chains intelligently to make them agile, economical and effective, even in uncertain times”*<sup>2</sup>.

The two TV boxes are going to be totally subcontracted. ProDsol will be in charge of all aspects of supply, tests, assembling and distribution to TechniCom logistics platforms. The idea was to maintain the TV box manufacturing costs at a comparable level with those of Tunisia . ProdSol is a much bigger group than TechniCom and in a position, for standard components, to negotiate better conditions with component suppliers that are all international companies. For “specific components”, TechniCom has to provide LOA (Letter of Authorization) attesting that ProdSol is authorized to buy these components. This process is time consuming and may encounter several obstacles (suppliers who do not want to grant similar payment terms, sub-contractors that do not have licenses to use certain chipsets...). Overall no less than 600 components are concerned under the subcontracting agreement between TechniCom and ProdSol.

Dozens of suppliers are concerned with this new relationship with ProdSol. Some of them are those which currently supply direct to the TechniCom plant in Tunisia and that are now being asked to supply a sub-contractor. Fundamentally this doesn’t change very much: prices

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<sup>2</sup> Source : ProdSol Website

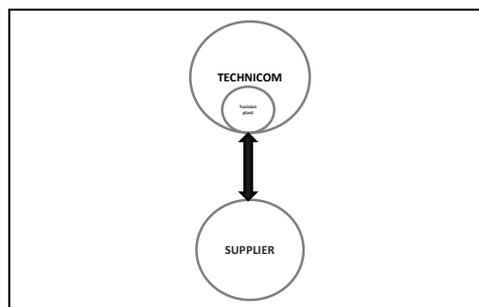
are the same, conditions are the same, only the identity of direct customer changes (TechniCom to ProdSol). Should a supplier refuse to deal directly with ProdSol - arguing that it doesn't want ProdSol to have information about the prices granted to TechniCom - a solution has been put forward for the supplier to sell at its price which is then followed by a re-negotiation between TechniCom and the supplier.

Although TechniCom takes every precaution to run this project smoothly, some suppliers are reluctant to enter into this new relationship. Obstacles appear to be far more numerous than first anticipated by TechniCom with suppliers that obviously show no commitment whatsoever to this new relationship when they deliberately block the whole process... The violence of the suppliers' reaction can hardly be explained by just the switch in supply relationships, the cost of which remains limited...

## CASE DISCUSSION

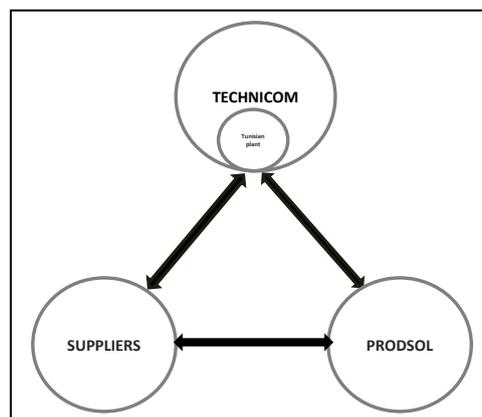
In this discussion our objective is to use Simmel's different concepts as they have been presented in the previous section to offer a new reading of the situation. We will be focusing on different steps of the story corresponding to different changes in the formal configuration of the actors involved in the story. To facilitate the discussion we consider "Supplier" as representing one of the dozens of suppliers impacted by the new relationship with ProdSol.

### Configuration one: the "TechniCom<->Supplier" dyad.



In this setting, let's consider the dyadic relationship between Supplier and TechniCom. Following Simmel, the dyadic setting in which Supplier is involved enables different characteristics to express. 1<sup>st</sup>, the individuality of Supplier is preserved if not “protected”. Supplier has been chosen for what it is and once involved in the relation with TechniCom it can be what it is without any constraints. In the case, suppliers were chosen for their geographical proximity to the TechniCom plant granting TechniCom a high level of flexibility and therefore reactivity. We can consider that this “geographical proximity” builds Supplier's individuality. As long as the relationship remains the TechniCom/Supplier dyad, this individuality is protected and not questioned. The risk of “triviality” (that characterized the dyadic setting) is minimized by the fact that the relationship by nature is “dynamic” insofar as the R&D centre regularly impulses changes which result in possible changes in the products supplied by Supplier. So the dyad may appear as a perfect place where both the individuality of supplier is sheltered and the risk of triviality is minimized.

**Configuration two: the “TechniCom<->Supplier <->ProdSol” triad**



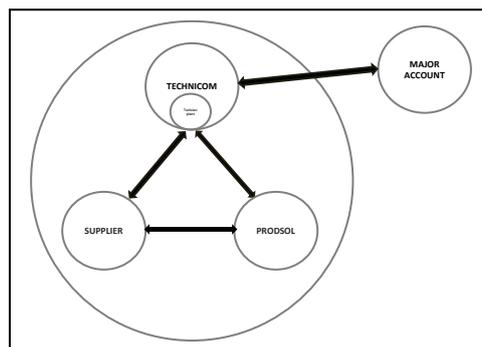
When Supplier is asked to supply ProdSol, the triad is closed and behaves like a Simmelian triad where each member has relationships with the other two. Still following the Simmelian qualification of the transformation, we are confronted with a change of Supplier “status”. According to Simmel, the triad brings several things. When transforming into a triad, a dyad may lose intimacy. This is particularly visible with information on prices. Information on

prices is part of the intimacy in the Supplier-TechniCom dyad in the sense that it is not shared with other actors. When ProdSol enters, and when Supplier is asked to supply ProdSol, (at the same price conditions as TechniCom) it is the Supplier/TechniCom intimacy that is questioned. What was “hidden” from the others (price conditions) would be shared between the three actors. TechniCom manages this situation by proposing that Supplier sells at its own-price and that a re-negotiation takes place afterwards between TechniCom and Supplier. Even if this “solves” the content problem (objectively there is no financial loss for anyone), the intimacy has been broken – or at least diminished – in the sense that what was initially shared between TechniCom and Supplier has shrunk. This is an important point because usually intimacy (in a relationship) is defined referring to a certain degree of closeness (Tuminen et al. 2004), often built on a precise segmentation of a market and tailor-made offerings addressed to an identified niche (Treacy & Wiersema, 1997). Simmel points out that intimacy is also a matter of “what is shared” and what is not. So, the relationship between TechniCom and Supplier may stay the same, not looser than it was, but considered as having lost its intimacy just because ProdSol has entered. Even though what is shared between TechniCom and Prodsol is not important (no price information is divulged), something is shared with “the other” and this may be enough for Supplier to consider there is a loss of intimacy.

The dyad-to-triad transformation also questions the individuality of Supplier. And this questioning may be analysed through both dimensions discussed by Simmel. First, when evolving toward triad, the individuality of Supplier dilutes, it is no longer protected by the dyad setting. The “near and flexible” individuality of Supplier is now confronted with the “helping” individuality of ProdSol. Simmel explains that if the individuality is strong enough, then exposure to the triad doesn’t represent a problem. On the contrary, it may strengthen that kind of individuality. But, in the case we are discussing, one may consider that the

“geographical proximity” of Supplier doesn’t constitute a very strong individuality because proximity (in the case, the Tunisian location) now implies instability... On the other hand, Simmel mentions that any enlargement of a group is a means of strengthening or enriching an (already strong) individuality. But apparently Supplier refuses to acknowledge the relationship with ProdSol as a possible source of enrichment. In addition, it obliges TechniCom to play the role of a bridge (or a door) which, in Simmel’s works, can both “connect” (TechniCom allows Supplier and ProdSol to work together) and “separate” in the sense that it reduces the feeling of a real triad and – at least for Supplier – tries to keep it as two dyads.

### Configuration three: the triad and the external member



If we follow with a Simmelian interpretation, another configuration may be identified: the one that integrates Major Account. Major Account represents those important customers that asked TechniCom to secure its supplies. According to Simmel, for the external actors that Major Account represents, the triad may appear just as differentiated as its members (TechniCom, ProdSol and Supplier) are undifferentiated, and on the other hand, just as undifferentiated as the same members appear differentiated. By refusing the relationship with ProdSol (so as to protect his original individuality), Supplier refuses, at the same time, the possibility of “individualizing” in a stronger way. By remaining rather undifferentiated, the group as a whole will appear “differentiated” which may impede a real orientation toward the “external”. On the other hand, if Supplier accepts the dyad-to-triad, transformation, more

space is given to a possible deployment of Supplier's (and other members of the triad's) individuality, which will result in less differentiation of the group as a whole, but will give it an increased "sense" of external entities, and among them, the customers.

### **To summarize the discussion**

When the suppliers' group enlarges, so as to maintain its "orientation toward others", it must be "undifferentiated" (in the sense of Simmel) which implies that members of the group look for increased differentiation. But if the enlargement supposes "dyad-to-triad" transformations (which is not systematically the case in the sense that the customer may maintain a series of dyadic relationships with each of the suppliers, but it becomes the case when suppliers have to work together, when they have to collaborate) then, there can be a fear on the part of the supplier to no longer have its individuality protected.

Simmel enables us to read this double movement in the TechniCom case. At the same time, Simmel proposes ways of resolving such a "tension". First, it appears that, contrary to what Supplier may think, the dyad-to-triad transformation, as it enlarges the group, may be a source for Supplier of "individualization". But this only can work if Supplier original individuality is strong enough... Due to the political uncertainty in Tunisia, Supplier may feel that its individuality as "near and flexible" supplier is weaker. The role of TechniCom is certainly to help Supplier regain a feeling of strong individuality.

### **THEORETICAL and MANAGERIAL IMPLICATIONS**

As Caplow (1968) writes, "*triad theory is an example of an "area" discovered and so grandly surveyed by Simmel that each new increment of information from empirical research raises problems already identified and half-resolved in his essays*" (p. 14). Thus, theoretical implications must be identified at the level of what Simmel's works can bring to the analysis

of business relationships, particularly in those cases of group enlargements where a business actor is involved. The IMP tradition has largely dealt with dyadic relationships and the network in which they are embedded. Dubois (2009) and Choi and Wu (2009) have both discussed the interest – or not – to consider triad as an interesting subset of networks. We think that our work may contribute to the discussion opened by these authors by showing that certain concepts developed by Simmel do support the idea that triad - or more precisely the dyad-to-triad transformation - is a research object of interest. At that level of our reflection, we identify 3 points that appear as implications of our work:

- The first point is about ‘intimacy’ which appears as an interesting concept to be discussed in tandem with changes in the relational position of a company. Widely used to qualify what a company may do to better know and better serve a partner, intimacy may be investigated in a complementary perspective of what is shared and what is not shared among relationships with different partners.

- A second point deals with the concepts of “individualization / differentiation” that may shed a new light on the role of differentiation for a company. First, it confirms that, the more a company is exposed to others, the more it can find means of differentiation. Second, it appears that more than differentiation, what makes sense is the *feeling* a company has of the strength of its differentiation. If a company feels its differentiation is not very strong it will look for means of protection which can lead it to refuse new interactions with other companies. On the other hand, the feeling of a strong differentiation will lead the company to confront others and consequently have greater opportunities to individualize more...

- A third point is about the enlargement of the group of partners a company has relationships with. This enlargement has several implications not only for the members of the group but also for how “other groups” may see it. Our discussion has raised the question of the

“differentiation of a group as an obstacle to relationships with other groups”; this may require further development.

From a managerial viewpoint, several elements should be taken into consideration. First, when a company decides on a change in its suppliers’ portfolio that may entail direct relationship between suppliers, this change must not be assessed only on what suppliers are going to win or lose. It must also be assessed in terms of intimacy change and possible “individuality” questioning. Second, it appears that it is necessary to carefully explain to a supplier (at least to those who do not have strong personalities) how the collaboration is going to reinforce/develop their individuality. This action from the customer company has a dual goal. First it contributes to maintaining a certain level of intimacy with the supplier (which in certain cases is the condition for the supplier to be committed) and second, it contributes to building the whole group as an “undifferentiated” one which makes it more open to external demand (for example the one emanating from customers).

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