Industrial Marketing Management 39 (2010) 437–449

Contents lists available at ScienceDirect

Industrial Marketing Management

Mapping the values in B2B relationships: A systemic, knowledge-based perspective

J.H. Powell [a,*], J. Swart [b]

[a] Cardiff University Business School, Colum Drive, Cardiff, CF2 3SX, UK
[b] School of Management, University of Bath, Bath, BA2 7AY, UK

ARTICLE INFO

Article history:
Received 1 March 2006
Received in revised form 1 May 2007
Accepted 1 November 2008
Available online 12 June 2009

Keywords:
Marketing
Systems thinking
Knowledge management
Co-production

ABSTRACT

The management of an enduring relationship between provider and supplier has at its heart an implicit interaction between the valuation systems of the counterparts. We take the view that this interaction is conveniently understood through the lens of knowledge management. Knowledge management informs our treatment of business to business relationships through two mechanisms. It helps us manage better the dissemination and co-creation of knowledge in an organisation and new work in the mapping of knowledge allows us to represent the knowledge aspects of a relationship in a way which allows us to manage it better. We present, therefore, an approach to allow the specific representation of these valuation systems and their interaction, using a case study of the marketing of a nuclear submarine programme to a government. A conclusion is that structures which support the co-creation of knowledge between the companies is critical to winning the contract and we indicate how this co-creation can be engendered.

1. Introduction and perspective

Marketing is a member of a large class of human activities which seek to match the output of a provider with a predicted, perceived demand. Business-to-business (from now on B2B) marketing has, in particular, the characteristic that, with few exceptions, the provider seeks to establish an enduring relationship with the buyer (Ford, 1997; Håkansson, Johanson, & Wootz, 1976; Turnbull & Valla, 1986). Certainly it imbues more cooperation and collaboration than the more general B2C case and hence we adhere to the term 'provider' as more accurate here than 'customer' (Ritter & Ford, 2004). Marketing then becomes very distinct from the act of selling (Gummesson, 2002), since its focus of attention is on the satisfaction felt by the buyer (and indeed by the provider) in continuing and enacting the relationship (Vargo & Lusch, 2004).

Within this almost ubiquitous framing of B2B marketing as a relationship issue, this paper assumes, specifically, the network understanding of marketing where the effects and implications of dyadic company-to-company relationships (for example technology exchange) occurs in a distributed, wider multi-agent structure characterised as a network. These dyadic relationships between firms, then, expressed within the wider network are characterised by being multi-agent, episodic in nature, interactive, not standardised and distributed in nature (Ford, Gadde, Håkansson, & Snehota, 2003 — pp 6 and 227–228). It will be seen later that these characteristics place particular demands upon the supporting tools and schemata used by managers of these networks. It is the purpose of this paper to present a practical way of representing, and hence aiding the understanding of the specific relationship of a firm with its encompassing network in order to satisfy these particular demands.

The second assumption made in this paper is that the emergent behaviour of the network as a whole (as a result of management within it, particularly of the constituent inter-firm dyads), is a matter of and the outcome of knowledge management (hereafter KM). This does not imply that no other lens is valid; merely that such a perspective, whereby the relationship is conveniently and effectively understood to be enacted and reified by the knowledge conveyed in its discourse, is an important, unifying and productive one. When firms interact in an attempt to reconcile, jointly and severally, the needs implied by their valuation systems, knowledge is exchanged and, indeed co-created about the other's valuations. Moreover, particularly in a technological industry, the exchange of knowledge is the most significant bearer of the commitment so central to the social network model which informs our understanding of B2B network relationships (Cook & Emerson, 1978).

The view taken here is that the act of marketing is, at heart, the interaction between two valuation systems. We mean by this the set of attributes emergent from the relationship which are valued by each party and the nature of the mutual interaction of these attributes. For example, one firm may value greatly the transfer or co-creation of technical knowledge relevant to a developing product line while the dyadic partner may value short term cash flow and reflected reputation gained by working with a more strongly branded partner. This is in contradistinction with a second, common interpretation of 'value system' as the totality of the inherent, underlying values of the firm and its constituents. We make no claim to throw light on

* Corresponding author.
E-mail addresses: powelljh@cardiff.ac.uk (J.H. Powell), mnsjas@bath.ac.uk (J. Swart).

0019-8501/$ – see front matter
doi:10.1016/j.indmarman.2008.11.011

these moral and ethical underpinnings of the members of the firm; here 'valuation system' is to be understood as the *embodiment* in the moment of the permanent set of 'things we stand for' which are underpinned by the 'value system' in this second sense (Glynn, 2007; Stryker, 1980, 2000).

For example, one firm may, because of its commercial and market circumstances, be motivated to place great and continuing value on its skills and competence, its ability to create innovative technologies, processes and products. The valuation system of such a firm would then constitute a listing of those attributes valued together with some representation of how they interact. For example, there are clear connections between competencies, skills, training investment, ability to innovate and differentiation in the market place. The firm needs to know and, further, needs to be able to express the interconnections of its valuation system, because it is the performance of this very system which is the focus of the whole of the management of the firm, since what are we managing if it is not that which we value (Burt, 1992)? This idea of dyadic interaction being a matter of interaction of valuation systems is inherent in much of the network literature (Brusoni, Prencipe, & Pavitt, 2001).

After a brief discussion of the implications of this network and knowledge perspective on management of B2B relations the paper illustrates the use of a particular method, deriving from the systems and KM fields and then, through the medium of a case study, the appropriateness of the technique (known as System-based Knowledge Management (Powell & Swart, 2006), or SBKM) is indicated. We then make observations on the knowledge management issues illuminated by the case study and in particular on the rôle of co-creation mechanisms in creating network knowledge.

2. Managerial challenges

The nature of the relationships within the context of a network of interactions is, as has been observed, that they are not to be understood solely as dyadic interactions. They are episodic and dynamic in nature, distributed, interactive, and not standardised (Ford et al., 2003 — pp 227–228). These characteristics place special demands on the management of the series of dyadic relationships which constitute the marketing activity of the firm. The challenge of managers and indeed of the approach presented here is to understand the respective valuation systems and their interactions.

Firstly, because they are of a distributed and dynamic nature, the sense-making of managers aspirant to conditioning (if not controlling) the network is particularly challenged (Ford & Redwood, 2005). It is no simple matter even to understand the internal systems of a firm (Simon, 1972; Tsoukas, 1996; Tsoukas & Vladimirou, 2001; von Krogh, Roos, & Kleine, 1998a); expecting managers to understand and empathise with the valuation systems of others in the network is an additional demand, made essential by the recognition that what is done in the dyadic system surrounding the firm will have referred and changing effects elsewhere in the network. *Action* is dependent upon *knowing* (Brusoni et al., 2001; Baumard, 1999; Cook & Seely Brown, 1999; Davenport & Prusak, 1998; Polanyi, 1966; Swart & Powell, 2006) and hence on *sense-making* (Tsoukas, 1996; Tsoukas & Vladimirou, 2001; Weick, 1979). Managers of these networks, then, seeking to influence the network as a whole through the limited communication and action channels of their immediate dyadic set, require a representation method which will allow them at least to capture their misconceptions about others in the network (Kahaner, 1996). At best, of course, these misconceptions are challenged and resolved through the recognition of mutual inconsistency by the structuring which a system representation provides (Checkland & Scholes, 1990; Coyle & Exelby, 2000; Davenport & Prusak, 1998; Eden, 1989; Flood & Jackson, 1991; Powell & Bradford, 1998).

Of particular importance is the observation that the nature of the relationship of the firm with its surrounding network is both systemic and (critically) non-standardised — it is specific to the firm, its context, its contemporaneity. The implication of this upon the support needed by managers of these networks, then, is that any sense-making representation method has to speak to the specifics of the firm. Generalised models are inadequate. There is an extensive body of literature which deals with this type of specific dynamic modelling (Checkland & Scholes, 1990; Coyle & Exelby, 2000; Flood & Jackson, 1991; Coyle, 1977, 1998; Forrester, 1961; Richardson & Pugh, 1981; Sterman, 2000; Tustin, 1953; Wolstenholme, 1990) which is able to represent the specifics of a firm's valuation systems and context and upon which we draw in our subsequent representations.

Lastly, the assertion that the knowledge component of these networks is critical to their understanding and enactment leads us to specify that whatever representation method is used to assist managers in their action planning and sense-making, it has to have a capacity to represent the knowledge inherent in the transactional relationships of the dyads and hence the network (Powell & Bradford, 1998).

The purpose of this paper from this point onwards is to present a practical way of representing the specific interactions between valuation systems which complies with the implied requirements identified in this section.

3. General model

If we are to address the managerial issues surrounding the negotiated valuation systems as we propose it is highly desirable to have some disciplined, preferably commonly held and auditable way of representing the interaction (Checkland & Scholes, 1990; Coyle, 2000; Powell & Bradford, 1998; Quinn, Mills, & Friesen, 1992; Wolstenholme, 1990). Fig. 1 indicates the general architecture which we should expect to see in such a system model supporting action-directed managerial sense-making and analysis.

One should expect to see each party's 'business model' interacting with the mechanisms of the market (Håkansson & Ford, 2002). This would be true even if the parties were non-communicating competitors; there would still be a dialogue but one mediated only by the mechanism of the market. In point of fact there will be other mechanisms of intercommunication which are not directly driven by the economic, short term issues of the market. These are referred to in Fig. 1 as 'indirect' connections. Such indirect communications can be quite explicit. For example, as we shall see in the case example cited below, two high technology firms can and usually will co-operate over, say, joint technology development or research agenda definition even if the market as such does not recognise the direct benefit. An example of such a market is aerospace and defense. Here states frequently adopt policies either of arguing for a particular procurement on the

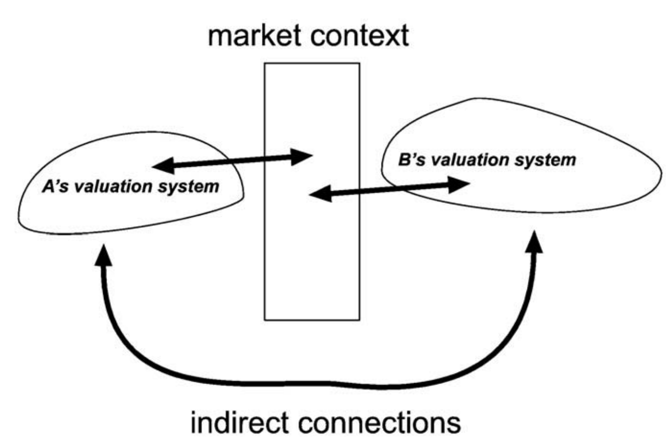

Fig. 1. Interaction of participants' valuation systems within market context.