Value generation in B2B contexts: the SMEs' perspective

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Abstract

Purpose – The aim of this paper is to understand the process of value creation in business-to-business (B2B) contexts from the perspective of small- and medium-sized firms (SMEs). Small businesses are challenged to compete and collaborate with larger firms. While the "sharks" dilemma (often the most dangerous sharks also have the most valuable resources) focuses on specific defences, the authors emphasize a value generation perspective.

Design/methodology/approach – The concept of asymmetric relationships is taken as a reference and examined using a longitudinal multi-case study.

Findings – The authors results demonstrate how small firms not always assume an inferior, defensive position. Ambitious and growth-oriented SMEs learn to collaborate with larger partners and exhibit a proactive attitude towards relationship management. They understand the importance of developing social ties. They foster frequent and informal communication with their customers, favouring personal visits as a means to receive advice for directing their research efforts and exchange information and views. Such ties help them to develop shared plans and goals.

Research limitations/implications – In asymmetric relationships, partner selection models should help firms to concentrate their efforts in a reduced group of key partners. These models should include not only economic performance indicators – variables such as flexibility and autonomy – but also innovation and improvement in processes, image, prestige and positioning, access to markets and stability.

Originality/value – The authors found insight into a novel concept: dual-value appropriation, where partners do not split the pie of the total value generated, as frequently proposed in the literature, but fully appropriate a different and unique value from the relationship. The authors further highlight the important role played by the committed champions in developing communication and trust.

Keywords SMEs, Value creation, Asymmetric relationships, Longitudinal case-study

Paper type Research paper

Introduction

Small- and medium-sized companies (SMEs) dominate the world business stage due to their sheer number. More than 95 per cent of enterprises across the world are SMEs, which accounts for approximately 60 per cent of private sector employment (Ayyagari *et al.*, 2011) with significant contributions to both GDP and employment (Dalberg, 2011).

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They are also major contributors to innovation in economies. Many of these innovations are the result of collaborations with the larger corporate sector (Chen and Chen, 2002; Stuart, 2000). SMEs become embedded in supply chains of larger business and networks where the combination of resources (knowledge and capabilities) has the potential to generate value. This has created an environment of interdependent firms where the effective and efficient management of interactions is recognised as a source of competitive advantage (Polo and Cambra, 2007; Rayport *et al.*, 2005). Small businesses have both a greater need for resources and a higher risk of appropriation of their own resources, and are challenged to compete and collaborate with firms that often have more resources, power and wider social networks (Klijn *et al.*, 2010). However, small businesses can be also spurred on to improve their own human and technological capital, as well as their management approaches and practices when they interact with bigger firms (ACCA, 2010), thus improving their own performance.

In this context of interdependencies, an overall view should be taken. The concept of value has proved helpful to advance our understanding of business relationships (Walter *et al.*, 2001). Given the complexity and dynamism of the market, firms need to identify each and every single activity of the business cycle and be capable of generating value, irrespective of whether they have contact with the customer or not. For instance, in marketing, supplier–customer relationships take a focal position. Offering superior value to the customer is at the core of creating and maintaining long-term relationships. Hence, understanding the underlying structure of this value-generating process is at a premium.

To comprehend why some companies are more successful than others, it is vital to understand the relationship management between companies, suppliers, distributors and customers. Alliance research has contributed to the knowledge of value creation in the context of well-established firms with equally abundant strategic resources, whose success is often explained in terms of similarities (e.g. culture, organisational processes and strategic goals).

Many industries are characterised by an abundance of alliances between established partners and SME's with an unequal amount of resources, where asymmetries prevail over similarities (Klijn *et al.*, 2010). The survival and development of these SMEs depend, to a large extent, on the success of their alliances with large partners (Ariño *et al.*, 2008). However, small firms find themselves facing a very difficult set of choices as they consider whether and how they should partner with large corporations. There is surprisingly little advice available to them on how to make these choices (Prashantham and Birkinshaw, 2008), and only a reduced number of studies have considered an integrated approach. Most of the studies are of conceptual nature (e.g. Wilson, 1995; Eggert *et al.*, 2006).

Furthermore, despite the importance of the SMEs, the majority of research has focused its attention on large companies, and only a few studies have examined the SME context as a reference for their analyses. Small businesses are challenged to compete and collaborate with firms that often have more resources, power and wider social networks.

Guided by the aforementioned ideas, the aim of this article is to provide empirical evidence of the relationships between firms through the lens of SMEs and identify the key factors for business success. The basic reference for analysis is the asymmetric relationships that exist between SMEs and larger-sized firms. The following section shows the most relevant ideas related to the concept of value creation in asymmetric relationships. In the subsequent section, we submit the proposals that form the basis of the empirical study. The fourth and fifth sections detail the methodology used and the results obtained, and in the final section, we discuss the main implications of the investigation.

Value generation in asymmetric supply chains and networks

In the business-to-business (B2B) world, value creation is a focal point of interest (Möller, 2006). Yet, both scholars and practitioners agree that we have only just begun to understand what "value" means and how value is generated (Eggert *et al.*, 2006). This dialogue has furthered in recognising the importance of relationships, understood as the process of business interactions over time (Ford and Mouzas, 2013).

In marketing, value creation has focused on supplier–customer relationships with most studies taking either a forward perspective from the supplier side (e.g. relationship marketing; Palmatier, 2008) or a backward perspective from the buyer side (e.g. supply chain management [SCM], Walters and Rainbird, 2007).

The forward perspective has led to the development of a service view of value creation, also called service-dominant logic (S-DL) that differs from the goods-dominant logic (G-DL), where value "in exchange" is delivered by suppliers. The service view holds that value creation does not take place in isolation, but in joint co-creation, and is demonstrated as "value in use" (Vargo and Lusch, 2004, 2008a, 2008b). For example, whether a customer deems a particular telecommunications service as valuable or not depends not only on the physical infrastructure supplied by the provider in terms of the core product – namely, wire and wireless service lines – but also on supplementary services and supporting applications. This will include: PC connectivity, mobile Internet access from a laptop, email services, roaming as well as invoicing systems, call centre support and ways of handling service failures that will enable the customer to become more productive. Thus, value for a business customer is not based solely on the core product but on the myriad of supplier–customer interactions. According to the service view, the role of companies has evolved from providing customers with goods or services to facilitating and supporting customers in their own business operations (Wilkstrom, 1996).

To help understand how value for customers really emerges in business relationships, Grönroos (2011) makes the distinction between value creation and value generation. Customers are seen as the ones who create value from the resources they have obtained, and this one-way learning process is referred to as "value creation". For the much more extensive and reciprocal learning process of developing, designing, manufacturing and delivering, as well as for the firm's back-office and front-office activities, including customer creation of value-in-use, the term "value generation" is preferred.

From the backward perspective, SCM becomes a meaningful reference, as it encompasses a multidisciplinary and integrated approach, recognising the roles of operations, logistics and marketing. Min and Mentzer (2000) note that SCM represents a comprehensive business philosophy for implementing actions to manage flows and relationships, from the suppliers to the ultimate users. At the strategic level, the need for coordination and collaboration between all the agents in the chain is recognised.

Recent studies that have started to combine literature on relationship marketing and supply chain relationships (see for example, Grant, 2005; Hingley *et al.*, 2006) point to the long-term objective of SCM as a systematic and integrated approach from sourcing raw materials through to the end customer. There is also an increased marrying of SCM and relationship literature with marketing and value creation/service literature (see, for example, Christopher, 2011), which provides a more holistic view of understanding collaborative buyer–seller relationships.

Extant literature stresses the need to establish and develop mechanisms that can incorporate inter- and intra-organisational processes to achieve a more effective and efficient management of relationships. This implicitly recognises the presence of interdependencies between companies and the need to integrate functions so that value can be created for the final customer. The main challenge is to plan and manage these integration processes (Pagell, 2004). The ultimate aim is to generate value for the company, customers, suppliers and other interest groups.

The debate has progressed further in viewing the business landscape from a network perspective. For example, this view is adopted by the IMP Group (Industrial Marketing and Purchasing), where a business actor is seen as a node within a network of interdependencies, a few of which form the basis for its operations (Roseira *et al.*, 2013). Marketing and purchasing become mirror functions, like right and left, that depend on the relative position of the firms in the network (Ford and Mouzas, 2013). In contrast to the S-DL, a network view is concerned with the structure and interdependencies operating across the network and the interactive process through which activities and resources are combined and transformed. From a network perspective, all business companies are simultaneously customers and suppliers and both require access to each other's complementary resources, and are confronted with the problem of coping with their counterparts, either simultaneously or sequentially (Ford, 2011).

Thus, a dyadic relationship facilitates value creation by combining the internal resources and activities of two actors in innovative ways, as well as exploiting the connections of these actors and the wider resource system of which they form part (Gulati, 1999; Gulati *et al.*, 2000). The network view offers opportunities to think about value creation beyond the boundaries of a single industry (like in supply chains).

However, not all firms are committed to the same extent to joint chain and network interaction (Roser *et al.*, 2013; Saarijärvi *et al.*, 2013). Thus, the willingness to collaborate and learn is a significant factor that needs to be considered in value co-creation. Other factors including the continuity of the relationship, trust and commitment (Morgan and Hunt, 1994) and the consequent savings in transaction costs are also important. For example, small businesses, in recognising their relatively weaker position in a relationship with a larger, more powerful partner, will sacrifice (monetary) value for ongoing and regular business with consequent reductions in transaction costs. Thus, the creation of value should also be seen in the context of the power structure in business relationships (Hingley, 2005a, 2005b; Kumar, 2005) where most business exchanges are power-imbalanced and the powerful party/parties seek and expect a disproportionate share of the surplus value (Cox, 2004) from the relationship. In turn, the power dynamic and power play of suppliers and buyers influence the possibilities, approach and desire for value co-creation (Hingley, 2005a).

In this sense, it is crucial to choose the right partners, as well as manage relationships between companies, particularly in the case where asymmetry exists between parties (Klijn *et al.*, 2010).

For the purpose of this study, we have adopted a multidisciplinary approach, integrating intra- and inter-organisational aspects that characterise an efficient management of the relationships that emerge in networks or supply chains (supply and demand). The final aim is that each party achieves its own objectives. However, it is necessary to understand that SMEs have a different profile to that of their larger counterparts.

Authors such as Bordonaba and Cambra (2009) argue that smaller-sized firms have fewer resources, no significant differences between managers and owners in terms of running the company, non-specialised academic education, less formal structures or significant situations of dependency as compared with others in the supply chain. For this reason, authors such as Vaaland and Heide (2007) have reflected about the challenges of SME's to survive on an increasingly global and competitive world.

Propositions

Previous studies have shown relative bias towards large companies. Literature review evidences that despite the importance of SMEs, very few studies have examined the management of their relationships, particularly those with large companies – often known as asymmetrical relationships (Johnsen and Ford, 2008). Therefore, we present our reference framework by means of propositions.

Merely on the basis of the study, these propositions will allow us to examine SMEs in depth. Following the guidelines of Eisenhardt (1989) and Eisenhardt and Graebner (2007), a preliminary framework is necessary to guide the collection and analysis of data. Then, we can assess the extent to which SMEs follow the same pattern as a larger firm, and identify their traits and peculiarities.

Customer value creation is a trade-off between the benefits and sacrifices in their dealings with suppliers (Blocker *et al.*, 2011). In other words, business relationships not only offer many opportunities for value creation but they also expose firms to dangers such as opportunistic behaviour and misappropriation by their partners (Ulaga and Eggert, 2006). This tension between collaboration and competition is central to relationship formation, especially for small firms who have a greater need for resources and a higher risk of appropriation of their own resources. Research on asymmetric relationships (e.g. Klijn *et al.*, 2010; Katila and Eisenhardt, 2008) prescribes that for the small firm, the decision to enter a relationship is not based merely on access to resources but also on the protection of the firm's own resources from exploitation. Scholarly work on the "sharks" dilemma (often the most dangerous sharks also have the most valuable resources) focus on specific defences. It is unclear though how relationships form when legal and timing defences are unavailable, or when the social context exerts an influence, given that social defences may be particularly relevant for small firms with limited access to other more costly defences (Hallen *et al.*, 2014).

From a conceptual perspective, value creation and value appropriation represent two sides of the same coin. Value creation entails the total value (i.e. total outputs minus total inputs) created in a collaborative relationship and is seen as a win–win scenario. On the other hand, value appropriation refers to the net value that a focal firm successfully claims. Compared to the value creation side of the coin, the shared "value pie" remains under-researched (Jap, 2001). Value appropriation means that a larger value slice for one party diminishes the remaining slice for the other partner (Wagner *et al.*, 2010).

Thus, the underlying business relationships is the notion of power (Hingley, 2005a, 2005b; Kumar, 2005), as most business exchanges are power-imbalanced and the powerful parties seek and expect a disproportionate share of the surplus value (Cox, 2004). Therefore, we propose the following:

P1. (In asymmetric relationships), the greater the power of a firm, the greater the chances of appropriating a larger slice of the value jointly generated and the greater the need for the smaller firm to protect itself.

The management of inter-organisational relationships can bring its rewards, leading to enhanced efficiency, and lessens the power-dependence. In this sense, firms have the possibility of increasing the chance of success in relationships (e.g. Cambra and Polo, 2008; Rao *et al.*, 2006). For example, Beekman and Robinson (2004) and Rao *et al.* (2006) propose the need of a long-term view of relationship. A strong relationship requires stability insomuch, as these companies foster this type of relationship to align their interests and goals with those of their partners (Lamming and Hampson, 1996).

In a similar vein, relationship marketing literature considers relationships as a point in time in the life of the network. The substance of relationships can be expressed in terms of the activities, resources and actors involved in the relationship (Ford and Mouzas, 2013). By their very nature, all business relationships are ongoing. They evolve as a result of the interactions between those who are directly or indirectly involved. Co-evolution does not mean that the actors will necessarily become homogeneous over time. Instead, co-evolution means that the actors learn about each other and adjust to their ways of thinking, their organisational structure, their expectations and goals to accommodate the evolving characteristics of their relationships and their counterparts (Eggert *et al.*, 2006). Firms learn to combine their resources in innovative ways. Thus, value creation can be seen as the outcome of increasing levels of understanding and specialisation between the partners over time (Perez *et al.*, 2013).

P2. (In asymmetric relationships) long-term collaborative relationships help to increase efficiency and the creation of value.

Driven by complementary resource needs and social opportunities logic, collaborative relationships have the potential to create value (Möller and Törrönen, 2003). The usefulness and value of each actor's resources is determined by the ways in which they are, or can be, combined and developed through networking in relationships with others (Ford and Mouzas, 2013). Many of the adaptations and investments that business actors make in their activities and resources are relationship-specific. These dedicated resources may be physical (e.g. research laboratories), human (additional training and meetings) and/or procedures (e.g. the coordination of a firm's routines with those of the partnering firm). Relationship-specific investments are important mechanisms to move the relationship away from being arms-length, where it is easy for firms to switch trading partners with little penalty because other sellers offer similar products (Gulati, 1998). These investments help firms gain an in-depth understanding of their partners and carry out specialisation. They also send a positive signal about the commitment and importance of the relationship for the partnering firm. However, these investments limit the number of relationships that a firm can successfully establish (Perez *et al.*, 2013).

Similarly, Chen and Paulraj (2004) propose a reference framework that examines the interaction between the various agents in supply chains. It suggests that the greater the number of agents involved, the greater the challenges involved regarding coordination and communication. Reducing the number of partners (e.g. suppliers) encourages collaboration and increases long-term commitment towards achieving common goals, which in turn facilitates value creation. Based on these ideas, we put forward our third proposition:

P3. Specialisation and reduction of the number of partners (in asymmetric relationships) – suppliers, distributors and customers – are key factors for value creation.

As firms become more specialised, they assume higher risks as investments become more relationship-specific and their value in alternative uses decreases. Small enterprises have restricted access to the attention of key decision-makers, which is very different from the situation between two large partners where executives of equivalent stature will return each other's calls. Smaller firms find it difficult to approach and build the necessary relationships and overcome the bureaucratic cultures in large firms. They struggle in getting attention at high levels where decisions are made. Interactions in asymmetric relationships are often episodic and fragmented as individuals in the large firms frequently change meeting plans (Prashantham and Birkinshaw, 2008). We can, therefore, establish our fourth proposition:

P4. (In asymmetric relationships), the existing differences in size act as an important source of communication barriers that limit value creation

Methodology

Applying the terminology proposed by Yin (1994), the empirical study is based on a longitudinal multi-case study. The literature recognises both the scarcity and the potentialities of using longitudinal multi-case studies to analyse business phenomena (e.g. Baptista, 2013; Akhavan *et al.*, 2006). The study analyses the reality of 15 SMEs with particular emphasis on their relationships with larger-sized companies (asymmetric relationships). We ensured the reliability of the procedures used by establishing an initial protocol and developing a database that contains all the evidence collected.

We started by analysing the case of one company as a pilot case. The protocol stipulated that study would analyse as many companies as necessary until the point of theoretical saturation was reached. Said saturation point was reached with the inclusion of 15 cases. The work procedure and data collection methods were based largely on various site visits to the SMEs over a period of three years, as well as various phone and email conversations. We would like to highlight the inter-industry nature of the study, which itself adds weight to the conclusions obtained. Firms were selected to ensure heterogeneity in terms of industry, size and ownership structure. Appendix 1 shows the main characteristics of the companies analysed.

Various sources of information have been used (direct observation, analysis of internal documents and secondary data and in-depth interviews). Interviews were carried out with the managing directors of the companies, as they were the key informants. Managing directors happened to be in most cases the owners of the company. All key informants were formally interviewed at least twice. Interviews lasted an average of 1 hour; additionally, informal meetings took place at the initial phase to explain the project. Some informants were interviewed three times for clarification and extension purposes. Steps for analytical generalisation, replicability and cross-comparison of cases have been followed. We analysed each case individually, and later in groups of five, as a way of identifying possible patterns between cases. Finally, we developed an overall analysis of all the cases, which resulted in the coding process. We also received the cooperation of various parties who reviewed the first drafts: owners and managers of the companies analysed, professional experts and university colleagues. Technical data relating to the design of the investigation and fieldwork, as well as the software package used to process and analyse the data are as follows:

- *Unit of analysis*: SMEs in the context of their supply chains.
- *Universe*: Spanish SMEs.
- *Geographical scope*: Spanish territory.
- *Number of cases*: 15 firms.

  Information sources.
- *Primary*: Observation, in-depth interviews, review of internal documents and informal site visits.
- *Secondary*: Literary review, reports from governmental agencies (National Institute of Statistics, Food and Agriculture Organization of the United Nations, the Ministry of Industry, Tourism and Trade, The Regional Government of Andalusia), press cuttings, Internet websites.
- *Information analysis*: Software package QSR Nvivo.

QSR Nvivo was used to process and code all the information collated. This software allows users to group all types of qualitative information in a single project: text, images, websites, etc., as well as include the quantitative information available. It also shows patterns that emerge from the data included. It allows users to code, filter and recover data. It performs text, character patterns and coded paragraphs searches with the use of a wide range of operators. In short, this tool allows researchers to work with the bulk of information they require in an aggregate fashion so that the pilot case and the subsequent multiple cases are analysed. Its use has been defended by authors such as MacLaran and Catterall (2002), Sinkovics *et al.* (2005) and Cambra and Wilson (2011).

Results

Once data had been analysed, the cross-case coding matrix shown in Appendix 2 was obtained. Codes are not only derived from the initial set of propositions but also from new insights resulting from the content analysis.

Firstly, let it be noted that although the potential benefits from collaborative relationships are well-established in the literature, many business relationships have failed to create economic value, and even when economic value was created, the value was often not fairly distributed. As *P1* suggested, in power-imbalanced asymmetric relationships, the dominant view is that most of the value is appropriated by the larger partner. This is the perspective taken by Prashantham and Birkinshaw (2008) and Katila *et al.* (2008), where the smaller partner is assumed to have an inferior position and must resort to activities that minimise value misappropriation. However, our data suggest a different phenomenon: in some of the SME's relationships in this study (ten) there is dual appropriation of value, where each partner fully appropriates a different and unique value from the relationship. For instance, Cases Chemical Lab, Integrall and Viveros Herrera provide interesting examples of how partners view the potential benefits of their collaboration as independent outcomes, where the joint creation of distinct knowledge could have been completely appropriated by both in a way that each extracted idiosyncratic value that did not diminish the value appropriated by the other partner. This point is illustrated by comments such as:

> We have learned a lot […] the Italians showed us how to use all the machinery efficiently […] they offered us testing new models and technology in our productive processes. We are continuously giving feedback to their engineers, but we can always know that we are working with the latest technologies […] Otherwise, we would not be able to access such technology, which gives us an important competitive advantage […] but they can also test innovations in a real context (CEO, Viveros Herrera).

> Sometimes suppliers, and not only customers, suggest new applications and approaches to formulas so we can think about new products, segments and markets. Some months ago one supplier proposed a new use for an active principle and we started to work on it. We are so excited about its potential (CEO, Chemical lab).

We did not find empirical evidence to support *P1*, but found that both firms fully appropriated the value jointly generated. We called these phenomena "dual value appropriation". We also found that the specialist technical knowledge of the small firm and the ability to apply it in new projects provided them with more power and influence in their relationship with large customers.

As it is shown in Appendix 2, on an aggregate level, 13 of the companies explicitly analysed express interest in developing long-term relationships with their distributors and customers, whilst all the 15 reaffirmed this in relation to suppliers. This highlights the importance that SMEs place on fostering a relational approach within the context of supply chains and networks, and the importance of maintaining satisfactory and long-lasting relationships. The companies analysed recognise that long-term relationships help, at least partially, to diminish the level of uncertainty associated with their activity. We, then, can confirm *P2*.

P3 establishes that specialisation and reduction of the number of partners may be key factors for value creation. However, companies need to be sure that they are working with the right partners. As SMEs have little room for manoeuvre once they have embarked on a relationship and made some investments, these companies spend time comparing and contrasting each alternative. Sometimes, buyers also spend considerable effort identifying and selecting the most appropriate suppliers.

We were particularly surprised that the 15 companies analysed admit to spending considerable effort in identifying and selecting suppliers, whilst only 3 – *compretedecor, Elecam, Packaging* – state that they carry out a detailed customer analysis prior to initiating a relationship (see Appendix 2). Apparently, SMEs take more care with supply management as they view sales as a more obvious activity. The logical consequence is that many SMEs tend to work with few suppliers but strive to achieve a large number of customers. This fact suggests that the SME context sometimes is defined as a short-term perspective where a new customer is seen as incremental business, without considering the investments required in that customer.

In contrast to large firms that tend to have explicit long-term strategic plans, stable organisations, and well-proven operating procedures, 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 (Alvarez *et al.*, 2006; Street and Cameron, 2007). This is one of the paradoxes of SME management. Although these companies are agile and fast they would be better advised to combine this agility with more analysis and a long-term view, particularly where sales management is concerned. This would enable the SMEs to have a select, reduced number of key customers in which they could invest to generate value. This is important because in asymmetric relationships, most of the weight falls on the shoulders of the smaller company (Perez *et al.*, 2013). In any case, as our *P3* suggests, "specialisation" and the reduced number of partners emerge as key factors for value creation in the SMEs context.

When we analyse *P4*, we realise that, differences in size do not always represent a communication barrier. Some small firms are capable to identify "committed champions" in the partner firm. Committed champions facilitate the interactions as they inject fluidity in the relationships. Interestingly, we also observe how in some cases firms have no choice but to cooperate as the significant differences in knowledge and expertise prevent opportunistic behaviours from occurring. Bigger firms do not usually see smaller firms as potential competitors but as low-risk threatening partners. Thus, in relation to *P4* empirical data suggests mixed results.

Table I, summarizes the findings discussed above and identifies propositions for which support from the cases was found. This table also includes relational elements not initially proposed but deem important based on the results (see also Appendix 2).

Communication, for example, contributes in a decisive manner to the social interaction and facilitates the relational process and the learning between the SMEs and their partners. Good practices recommend that the flow of communications specifies the exact requirements and expectations that partners have about the relationship. An efficient management requires that the information supply is coordinated at two levels: internally (marketing, finance, supply and production) and externally (suppliers, distributors and customers).

Generally speaking, traditional means of communications – such as telephone, fax and email – are used for repetitive and routine correspondence in the SME context. However, personal visits are emphasised for other types of situations. The use of more sophisticated tools can weaken the relationship as one of the partners may not have the capacity to adopt the technology correctly, or the resources to be able to do so. This fact has been discussed in various studies (Bordonaba and Cambra, 2009), which have even questioned the survival of SMEs in certain supply chains or networks. Furthermore, given that SMEs are not characterised by a rigid structure, their managers give greater importance to informal communication, as they feel it injects more fluidity into the relationships:

> I prefer a phone call because it allows me to solve problems in real time. Of course we have an EDI system which connects our firm with key suppliers, intermediaries and some customers, but in my opinion it is so rigid that other informal communication channels are necessary; the key is to identify the adequate contact in your counterparts (CEO, Packaging).

We would like to highlight that more than half of the companies included in the study highly value the contribution of informal flows of information. Five of the companies indicate that they maintain highly frequent communications with their key partners (we have measured this as once or more times per week); eight reveal that they maintain

Table I. Summary of the multi-case study findings

Proposition number	Propositions in asymmetric relationships	Case evidence support ✓ Indicates support for the proposition × Proposition not supported ❖ Mixed results	
P1	The greater the power of a firm, the greater the chances of appropriating a larger slice of the value jointly generated and the greater the need for the smaller firm to protect itself	×	We found that both firms fully appropriate the value jointly generated. We called these phenomena "dual value appropriation" We also found that the specialist knowledge and the ability to apply it to new projects provided the small firm with more power and influence in the relationship
P2	Long-term collaborative relationships help to increase efficiency and the creation of value	✓	Long-term relationships help firms to diminish the level of uncertainty associated with their activity
P3	Specialisation and reduction of the number of partners-suppliers, distributors and customers- are key factors for value creation	✓	The generation of value requires of specific investments. Therefore it is important for firms to have a reduced and well-selected group of partners
P4	The existing difference in size acts as an important source of communication barriers that limit value creation	❖	We recognise that differences in size may represent communication barriers, as small firms do not have easy access to top management in large corporations. However, we found that "committed champions" help overcome this problem by injecting fluidity in the relationship Large firms do not see the smaller firm as a potential competitor, which in turn facilitates knowledge exchange
Not initially proposed – induced	Relational elements	✓	SMEs foster a relational approach within the context of supply chains and networks. This includes the following elements Communication (traditional and informal flows are preferred over sophisticated tools). Personal visits and informal communication facilitate new ideas to emerge and build social ties Cooperation (joint projects) Trust and commitment, but also written agreements Social ties, as a way to identify committed champions and reinforce relational bonds

frequent contact (between twice and four times monthly) and that this is sufficient for them; whilst only two acknowledge that communication is infrequent.
Data also reveals that personal visits are viewed as an opportunity to learn. These visits result in fostering social ties and allow for new ideas to emerge. In fact, nine of the companies explicitly highlight this form of communication.

In terms of cooperation, we would like to highlight that the SMEs give a great deal of importance to actions such as technical advice and training, the development of joint projects (commercial, R&D). In the case of advice, this allows the companies to, at least partially, cover specific deficiencies they may have insofar as technical/management capabilities are concerned. In fact, 14 of those companies point to the fact that they have welcomed training when they have received it, or have perceived their partners having appreciated it when they themselves have been the trainers. The development of joint projects also signals a degree of commitment and helps reinforce the relationship. This fact has been recognised by ten of the companies analysed.

Data also suggests that factors such as trust and commitment are present. In fact, in the majority of studies that examine relational issues – amongst which is the work of Morgan and Hunt, (1994) – these factors are considered jointly. The link between the two is justified because trust often results in an increased commitment and vice versa. However, in some instances, commitment is manifested through formal agreements, which could imply a certain lack of trust.

Ten of the companies analysed acknowledge that part of the interactions they maintain with their partners is based on a mutual declaration of good intentions, and that they trust the word and promises of their partners. However, as Svensson (2005) suggests, trust is interactive in business relationships as mutual knowledge improves.

If we consider the degree of formalised contracts, be they written or verbal, we are analysing the degree of either commitment, or lack thereof, that exists. Our attention is drawn to the fact that 12 of the companies take a positive view of formal written agreements, particularly in the case of those projects or agreements that pose a higher risk. These firms recognise that they are seeking some form of legal protection against a situation that could potentially severely affect their company. Therefore, this could be an intuitive mechanism to protect themselves from possible situations of dependency and moral hazard.

In sum, we can simultaneously consider a set of relational elements to assess the dynamics of relations between SMEs and larger firms. Similar ideas can be found in the research of Hadjikhani *et al.* (2012) when they analyse the (dis)continuity of B2B relationships, although our research specifically considers the SMEs particularities.

The study also highlights the importance of social ties. These bonds can result from the interaction between the members of the participating companies, from personal visits, from joint projects and actions that are developed together. However, our study reveals that SMEs give a great deal of importance to this variable, much more so than larger-sized firms. The reason behind this could be the fact that for the SMEs it is much easier to identify the contact person and that nearly all liaisons occur with the same people. As the size increases, the personal nature of the relationship is diluted and the relationship becomes more formal and strictly professional. We highlighted the important role played by committed champions in developing communication and trust because small firms do not have easy access to top managers in large corporations, as we have seen, for instance, in the cases of *Viveros Herrera, Packaging* or *Compretedecor*.

Finally, we should highlight that for many SMEs the result of these interactions with well-selected partners is not only measured in terms of an objective economic evaluation, but in other dimensions of value. They also value other, more subjective, aspects such as:

- flexibility and autonomy;
- innovation and improvement in processes;
- image, prestige and positioning;
- access to markets; and
- stability.

Conclusions

To specialise and remain competitive, an SME needs to develop a thorough grasp of its own knowledge and an in-depth understanding of all its internal processes. This enables them to identify those processes which have the potential to generate value in an integrative manner (design, production and logistics, marketing and sales, product development, support and financial management). Without this level of self-awareness, a firm will be ineffective in managing its business relationships and slow to react to market changes.

Business relationships can also be seen as a strategic means for creating value. Given the complexity and dynamism of current markets, it is increasingly difficult for a firm to compete alone. Firms today must find the right balance between developing a unique expertise and form alliances that complement their knowledge and improve their competitive position.

This investigation demonstrates that SMEs can improve their competitive position by choosing the right partners and learning to work with them. Given that these companies have limited resources they should concentrate their efforts on maintaining relationships with a limited number of key partners to avoid squandering their efforts.

For small enterprises, the opportunity to collaborate with large corporations is obvious: the large corporation represents a potential source of sales revenue itself – brand endorsement – and advanced technological and management competences (Prashantham and Birkinshaw, 2008). For a large corporation, engaging with an unknown small enterprise can also provide major benefits: small enterprises often have significant complementary assets that the large corporation will struggle to develop efficiently itself (e.g. knowledge of local markets and innovative technologies). Furthermore, small firms often represent a good source of new ideas and innovations.

Attributes such as cooperation and communication help foster long-term relationships with partners. However, we should note that within the SME context these attributes are manifested in a distinctive way. For example, one kind of cooperation that the smaller-sized companies regard highly is advice, whilst contributing to R&D projects or joint commercial activities are similar to those highlighted by larger-sized companies. These factors are considered a sign of trust and commitment to the partner.

With regard to the importance of communication, the peculiarities of the SMEs context make evident that the technological intensity, rather than acting as a support mechanism, can sometimes hinder the smooth running of the relationship. Not all companies have sufficient resources to absorb certain technologies, or the ability to use them. In this sense, the ethos of exchanging information in a timely manner is more important than the technological intensity. Personal visits have proved to be one of the best and most valued actions, irrespective of whether they are suppliers, customers or intermediaries at any point of the chain.

In terms of showing trust and commitment there is no unanimity. One group of companies favoured establishing written contracts as a way of partially mitigating the risk of their activity, whilst the other preferred tacit agreements based on good intentions and prior knowledge.

The existence and development of social ties has proven to be extremely important. In the SMEs context, it has proven to be an efficient tool that is relatively easy to apply, at least to identify and interact with the relevant contact people (i.e. committed champions). As the size of the company increases, the personal contact is diluted and also limited to a strictly professional nature. Cooperation, personal visits or the development of the relationship itself, helps foster social ties, which ultimately lead to increased trust and commitment towards the relationship, as well as the development of shared goals and joint plans. In summary, alliances with bigger firms can be seen as cooperative relationships driven by a logic of strategic resource needs and social opportunities.

The SMEs recognise the importance they give to objective methods of measuring performance and goals, but also value image and prestige which they achieve by maintaining relationships with certain partners, access to new markets, the possibility of improvement and innovation, flexibility or at least reduce the uncertainty of their business.

In short, our investigation points to the fact that the general pattern demonstrated in previous research is replicated in the SME context. However, we have learned that not all companies can be treated in the same manner. Although the literature advocates to developing alliances over the long term and that all parties should strive for the common good of the relationship, we should also take into consideration that the distinctive characteristics of smaller-sized companies, influencing the way in which they understand and manage certain variables. Sometimes this is manifested by the fear of over-dependency on certain suppliers, distributors and/or customers and, at times, by the disproportionate size difference. Thus, various management factors have surfaced that may be overlooked by the larger firm but could in fact lead to more successful networks and supply chains in which SMEs participate. Our research reveals that under some circumstances, asymmetry is not an obstacle, but it can also allow for value creation.

However, despite the significant results yielded, we should note that the study is not without its limitations. We should highlight that the SMEs analysed are Spanish, which may themselves present their own peculiarities *vis-à-vis* other contexts. Furthermore, given that this is a qualitative study, it is possible that a degree of subjectivism exists in interpreting the data. To reduce this bias, it is important to note that data have been triangulated, and each member of the investigation team interpreted data case by case, then by groups of five cases, as protocol dictated. Furthermore, drafts were sent and discussed with key interviewees to ensure that results express the reality of firms in asymmetric relationships.

In terms of future lines of investigation, we suggest that researchers replicate this study in other industrial contexts to reinforce the findings of the present study. It would be extremely interesting to develop a comparative study with larger-sized firms.

Additionally, the analysis of knowledge creation and transfer may also be of interest. In the strategic alliance literature, the dominant view is that firms can create value by accessing and leveraging the complementary resources of an alliance partner, including information, markets and technologies. Collaboration among firms may not only facilitate the transfer of existing knowledge but also create new knowledge that neither party previously possessed. Additional research is needed to understand the dynamics of knowledge management in asymmetric relationships. Research on small-firm cooperation suggests the importance of a more comprehensive understanding of the networks dynamics to access a diverse range of resources and capabilities, particularly when cooperating with well-established companies. In small-firm alliances, specific investments have been found to be a key variable affecting the dynamics of collaboration, enabling firms to explore and discover innovative ways of linking their knowledge and skills so as to co-create value and innovate. Therefore, studies related to co-creation, not only with suppliers but also with customers, would also be of interest as an addition to the extant SME literature.

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Appendix 1

Table AI. Characteristics of the companies included in the multi-case[a]

Cases/Firms	Activity	Sector	Structure of ownership	Year founded	No. of employees	Sales volume 2012
Beloura	BP fuel distribution	Services – Transport	Family	1998	12	4,926,218 €
Cademsa	Distribution of packaging products	Industrial – Plastics and their by-products	Family	1987	12	2,000,000 €
Compretedecor	Fulfilment of civil works	Industrial – Energy	One partner (legal person)	1999	50	8,959,108 €
Elecam	Distribution of electronic material	Industrial – Energy	Family	1986	38	8,900,000 €
Chemist Lab	R&D of medicinal products	Services – Medicine and Health	5 partners	1943	10	1,470,000 €
Moreno Pharmacy	Dispensing of medical products	Services – Medicine and Health	Family	1982	5	300,000 €
Gesfiscal	Advisory for Fiscal, labor and general insurance	Services – Advice and Consultancy	Family	1974	120	7,000,000 €
Integrall	Architecture/Urban planning, Engineering/Consultancy, Energy/Environment	Services – Advisory and Consultancy	4 Professional partners	2005	6	320,000 €
Machinery and packaging materials. (Packaging)	Sales and distribution of packaging machinery and parts	Industrial – Machinery	Family	1992	18	2,700,000 €
Nimauto	Official dealer	Industrial – Automotive	Family	1989	38	17,000,000 €
Guipan	Manufacturing and Distribution of pre-cooked bread	Agro-Alimentary Sector	Family	1932	45	3,500,000 €
Industrial Vehicles Supplier. (Proveinsa)	Distribution of vehicle parts and accessories	Industrial – Machinery	3 partners	1996	13	2,700,000 €
La Red Recycling	Recovery of waste of raw materials and commodities	Industrial – Recycling	Two administrators and an authorised agent	1993	25	5,500,000 €
RGD	Machinery manufacturing	Industrial – Machinery	Family	1975	28	3,000,000 €
Viveros Herrera	Manipulation and distribution of clams	Agro-Alimentary Sector	Family	2001	5	761,689 €

Notes: [a] In order to assure anonymity some names are not the real ones

Appendix 2

Table AII. Multi-case matrix resulting from the coding process

Variable	Long-term focus (suppliers/ customers)	Cutback on no. of partners	Identification and selection of suppliers	Identification and selection of customers	Collaboration	Advice	Joint projects	Trust	Good intentions	Written agreements	Communication	Personal visits	After-sales communication	Social ties	Expected benefits[a]
Cases															
Beloura	S	X	X		X	X	X	X	X	X	X			X	P, S
Cademsa	S/C	X	X		X	X	X	X	X	X	X	X			I, S
Compretedecor	S/C*	X	X	X	X	X		X		X	X	X		X	F, I, P, S
Elecam	S/C*	X	X		X	X		X	X	X	X	X		X	F, P, S
Chemist Lab	S/C	X	X		X	X		X		X	X			X	I, P
Moreno Pharmacy	S		X		X	X					X				P, S
Gesfiscal	S/C		X		X	X	X	X		X	X				F, P, S
Integrall	S/C	X	X	X	X	X	X	X	X	X	X			X	I, P
Mach and packaging parts	S/C*	X	X		X	X	X	X	X		X		X	X	F, I, P, S
Nimauto	S/C	X	X		X	X		X	X		X	X			P, S
Guipan	S/C		X		X		X	X	X	X	X	X	X	X	I, P
Ind Veh Supplier	S/C	X	X		X	X	X	X	X	X	X	X	X	X	P, S
Recicl Red	S/C		X		X	X	X	X		X	X	X	X		F, I, P, S
RGD	S/C	X	X		X	X	X	X	X		X	X	X		F, I, P, S
Viveros Herrera	S/C	X	X	X	X	X	X	X	X	X	X	X	X	X	F, I, S

Notes: [a] Performance is not only based on the economic results but also by flexibility and autonomy (F); innovation and improvement in process (I); image, prestige and positioning (P); stability and recurrent exchanges obtained (S); * These firms not only pursue long-term relationships with customers but they also dedicate resources ex ante to analyse characteristics of their customers. Sometimes they are very selective with customers.

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