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A synthesis of literature review and empirical investigation  
leading to 3Rs framework

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**Track**

Business-Business Marketing  
Marketing Strategy  
Relationship Marketing

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## An exploration of customer-supplier alliances and partnerships: A synthesis of literature review and empirical investigation leading to 3Rs framework

### Abstract

The marketing discipline is evolving and so is its agenda with the advent of relationship marketing, networks and other related sub-fields. Till recently, business literature focused largely on competition, and cooperation, its counter part, has received insufficient attention. With a view to redress the situation, this research article investigates the phenomenon of customer supplier alliances and partnerships and aims to make fundamental theoretical contributions in the sub-field of business-to-business relations and cooperation. Eclectic and wide-ranging enquiry is a main research tool employed and hence the character of this research is interdisciplinary. An extensive literature review of a number of related disciplines is undertaken in order to capture the essence of relationship strategies and their implications. The ideas and alternative research processes were exposed to critical scrutiny by a few marketing scholars to increase feedback and validity of ideas. In addition, a qualitative exploratory survey was carried out in order to understand the strategic issues concerning alliances and partnerships. The research findings were combined with theoretical ideas to derive a Routines-Relationships-Resources (3Rs) model. This **3Rs model** is made up of three cores that underlie all business strategies including those designed to generate competitive advantage through the route of cooperative alliances and partnerships.

### Introduction – Origins, ideas, and aims

Do we need a theory of alliances, if so, does a theory about alliances widen the boundaries of the marketing field? Marketing literature (Turnbull, Ford, & Cunningham 1997; Narayandas & Rangan 2004) in the last two decades has increasingly reflected the need for building bonds with suppliers, consumers and other related constituents. Webster (1992) urges marketers to broaden the *agenda* of the marketing field. In particular he highlights the need for fully exploring inter-firm cooperation and its manifestations including strategic alliances and buyer-seller partnerships. Webster (1992 p. 13) suggests that

Theory development must be accompanied by aggressive programs of empirical research for understanding strategic marketing relationships more completely. Programs of clinical and survey research should be guided by strong theoretical frameworks from allied social science disciplines. Top priority should be given to analysis of the forces and factors that cause firms to move along the continuum from transactions to long-term relationships to strategic alliances and, perhaps, back again.

### Section One: Research objectives and methodology

The main purpose of this research article is to take a few cautious steps in moving towards building or at least laying the foundations of a *theory* of strategic alliances. An extensive literature review covering a wide range of disciplines and fields of endeavour was undertaken in order to examine relevant views and integrate these into a coherent whole. In order to increase feedback, it was decided to expose these ideas and research process to critical comment by submitting competitive and work-in-progress papers to major conferences. In addition to the above processes of literature review and eliciting of views from marketing academics, views from practice were taken into account based on a qualitative exploration of the purchasing practices of six key organisations from diverse backgrounds and sectors.

Section Two that follows provides evaluative summaries reviewing a range of theories that together represent eight different strands. Section Three deals with the results from qualitative

field research, analysis and conclusions. Section Four presents the **3Rs model**. The theoretical insights gained from the wide-ranging literature review endeavours were combined with the understanding of practice. This led to the formulation of Routines-Relationships-Resources (3Rs) model to be identified as the **3Rs model**. The result of the synthesis of theory and practice is parsimonious and memorable due to the alliteration of the three main elements. The **3Rs model** is elaborated in the fifth and final section.

## Section Two: Review of eight major theoretical streams

A wide-ranging and thorough investigation of eight major strands of theories is undertaken to explore their foundations and implications for the current era in which strategic alliances and partnerships are increasingly adopted. It is argued that traditional notions of competitive advantage need to be supplemented with views from relational and resource based theories. Sources of competitive advantage may well lie outside firm boundaries. The fields of strategy, organisational theory and marketing have several distinct and interrelated explanations that are examined below for their central orientations, assumptions and implications. The eight themes to be discussed are distinctive in some senses and overlapping in others. What may be needed is an integration of the different ideas to form a coherent and complete model that is workable. We start with the widely used and critiqued transaction cost views.

**(1) Transaction cost analysis and explanations:** Transaction cost economics and analysis are concerned with economic organisation. Williamson's (1975) work is 'principally concerned with the institutions of governance. Williamson sketches his core arguments: 'Intuition tells us that simple governance structures should mediate simple transactions and complex governance structures should be reserved for complex transactions' (1996a p.3). Williamson argues that the three main attributes of transactions: asset specificity, uncertainty and frequency need to be considered. Assets that are specific by use or user need to be safeguarded in the presence of behavioural uncertainty.

On the surface, it appears that TC and its prescriptions are unproblematic. A deeper exploration of the foundations reveals that TC relies on selection arguments at the level of transactions or tasks. However, TC arguments regularly omit the perspective of competence or capabilities. This seriously *limits the applicability* to a few contexts. Value generated from relation specific interaction is ignored due to the static nature of the formulation. The fact that linkages are open to exploitation is noteworthy as are any concerns that attempt to explore the power aspects of resource dependencies.

**(2) Game theory:** Game theoretic approaches are stylised versions of interactions between and among parties, and depict interdependencies. They serve to highlight *relatedness of goals, expectations, choices and outcomes*. Excellent summaries of the concepts involved in understanding game theory are stated in Kay (1993). Three main games are described each of which corresponds to the most important objectives of commercial relationships which are:

- Cooperation: joint activity towards a shared goal
- Coordination: the need for mutually consistent responses
- Differentiation: the avoidance of mutually incompatible activities

Game theoretic approaches are known to be problematic in several ways. The context of the parties involved is not considered in any detail and hence the outcomes depicted in these games represent extremes. Even in the context of the games' rules, it may be generally noted that the main issue appears to be that of *information asymmetry*, which is a result of lack of communication but is amenable to remedies as outlined in the foregoing section.

**(3) Market power and industry structure explanations:** Porter is the most popular and leading advocate of this strand. Although his later works also draw on resource based explanations (Porter 1985), his competitive strategy (Porter 1980) draws heavily on industrial organisation theory

(Oburai & Baker 1999), and on the Bain-Mason paradigm and oligopoly theory. Industry characteristics and firm bargaining power determine firm performance. The goal is to find mechanisms to offset or surmount these sources of suppliers' power... Purchases of an item can be spread among alternate suppliers in such a way as to improve the firm's bargaining power' (Porter 1980 p.123). *Competition* is the main anchor for Porter and remains as such. Porter's writings are rooted in pro anti-trust ideology just as Williamson's world-view was affected due to his stint in anti-trust. The product-market focus and agenda about building strong market positions that characterised the early writings in the field of strategy has changed with attention being paid to sources of competitive advantage external to firms as well. This has led to the development of evolutionary and resource based explanations, which are discussed next in detail.

**(4) Evolutionary theories:** Biological reasoning permeates a variety of management and social science disciplines. Darwinian evolution depends on random mutation and hard selection i.e. failure in the competitive arena results in death and elimination. Since mutation is inherently involuntary and hence uncontrollable, the reasoning depends much on the effect of the external environment. Environment is the chief perpetrator and matching any changes thereof closely is a prerequisite to survival and success. This is what is found today in many writings that are implicitly replete with *environmental determinism*.

Nelson and Winter's (1982) evolutionary theory focuses on routines or sequences of activities or patterned responses that firms generate, modify, acquire, imitate, and use. These routines of organisations are analogous to the skills of individuals and form the organisational memory and reservoirs of knowledge and experience. Firms inherit routines and in an attempt to fit into environment, when needed adapt them through search. Routines are the equivalent of genes. History and heredity impact evolution. This serves to highlight the importance of firm attributes and imperfect matching. In this sense the past is a resource in itself. Evolutionary and resource based explanations have much in common and a synthesis has been proposed in some quarters.

**(5) Resource based explanations:** Strategy literature is now replete with resource-based views. Penrose (1959) was an early statement and was influenced by both Ricardian and Marshallian views. This perspective was formalised by Wernerfelt (1984) and has since grown in application. RB theories attempt to explain inter-firm differences in performances and attribute them to the possession of unique and lasting resources. Competitive advantage is the result of internal firm organisation and hence managerial discretion is an important aspect considered. In the acquisition, development and usage of resources and their linkages lay the sources of capabilities.

The endogenous orientation is necessary to explain *firm level differences* unlike the above market power and evolutionary theories. Hunt (1997) is a resource-based theory with an explicit marketing perspective. The core competence perspective is complementary to the resource and evolutionary perspectives and market power writings. The one issue that crops up with the resource based views is that its avowed perspective and internal orientation to growth and sustenance of advantages despite a welcome addition to existing explanations, *its inward focus* makes it inadequate to firms contemplating the adoption of an external orientation. Intra-firm focus needs to be supplemented with the need to utilise and nurture external linkages. In a sense, the resource explanations are still all about competition where the firm boundary ends and are seen to be relevant to the study of large and diversified firms whereas evolutionary arguments may be more suited to the study of small and growth firms.

**(6) Interaction and network theories:** Interaction and networks views are mainly the contribution of the IMP team. This is a vast and growing collection (Turnbull, Ford, & Cunningham 1997). The IMP group interaction model (Hakansson 1982) recognises that interaction may lead to the institution of relationships. However, this dyadic focus is now giving way to network views of the firm and its context. This sharply brings forth the perspective that is not provided by other theories. An actors-activities-resources framework is used to depict firms.

Network theories recognise the importance of the environment and hence take a more realistic perspective of firms (Axelsson & Easton 1992). Networks bind as well as blind; they enable and constrain. While network centrality is seen as an important attribute, the ability to influence other firms in a network may not be a straightforward possibility. Inter-linkages among multiple actors and memberships in different networks are some issues (Mattsson 1997). The redundancy of common linkages (Granovetter 1973) and associated transaction costs are issues that are may need to be resolved. This perspective also draws on earlier and ongoing developments in sociology and related fields. Studying networks is argued to be problematic (Easton 1995). Multiple members and links are difficult to explore and hence methodological issues are the main hurdles that may need to be overcome.

**(7) Complexity theories:** Organisations are not machines, but complex overlapping sets of dynamic, non-linear systems. The behaviour of complex adaptive systems is unpredictable and the precision of linear relations between cause and effect cannot be obtained in these systems (Waldrop 1992). In the place of the hypothesis of gradual evolution and random selection espoused by Darwinian explication, complexity theories recognise and advance the view that the nature of evolution is essentially unpredictable and explicitly make allowances for massive, sudden transitions, and the emergence of internal order. This makes complexity views compatible with the evolutionary and resource theories, but also provides room for radical and sudden transformations. A main contribution of complexity theories is the concept of attractors that captures the idea that evolution is varied but limited in its patterns.

**(8) Relational views:** Relational views are perhaps among the most influential ones in currency across business disciplines, and the marketing discipline, with its fundamental notions concerning the *primacy of exchange relationships and external orientation*, is the leading contributor in this group of theories. Overlapping themes are to be found in both the industrial and services marketing concepts and in the field of relationship marketing. The above noted interaction and network perspectives do capture several of these important notions. It is in this sense that this paradigm evolution is considered cumulative, complementary and as a journey towards embracing the reality of connectivity of firms.

In our view, the relational view as captured by Dyer and Singh (1998) embraces to a large extent the different contributions of the traditional strategic management, organisational theory and economic explanations. Many of these notions are incorporated in the transaction cost and resource and evolutionary explanations. The relational view is an abstract mixture of the earlier and emerging perspectives. Investments, routines, resources and governance are all considered in this perspective. While this is an admirable effort, we feel that it tends to neglect older contributions. Simon's concept of bounded rationality is another important concept. Competition aspects captured in the notions of power and other constructs, if they are rooted in reality changed, changing, or entirely unchanging, cannot be ignored is our contention. In this sense the relational view is inadequate in satisfying the key criterion of cumulativeness that is mandatory if any progress is to be made. The following table summarises the main implications and criticisms of the eight theoretical explanations discussed above.

**Table 1: Summary and main implications of eight theoretical perspectives**

No.	Theories	Main implications	Criticisms
1.	Transaction cost analysis	<ul style="list-style-type: none"> <li>• Safeguarding idiosyncratic investments</li> <li>• Reduction of transaction costs</li> </ul>	<ul style="list-style-type: none"> <li>• Static nature of the model</li> <li>• Biased view of human behaviour</li> <li>• The cost focused analysis neglects value considerations</li> </ul>
2.	Game theory	<ul style="list-style-type: none"> <li>• Enlarging the shadow of the future</li> <li>• Improve communication</li> <li>• Make unilateral commitments</li> <li>• Build reputation</li> </ul>	<ul style="list-style-type: none"> <li>• Disembodied from context and ignores societal norms</li> <li>• Largely deals with two party situations</li> </ul>
3.	Market power and industry structure theories	<ul style="list-style-type: none"> <li>• Industry structure is an important determinant of firm conduct and performance.</li> </ul>	<ul style="list-style-type: none"> <li>• Anchored in competition concepts.</li> <li>• Insufficient attention to firm resources.</li> </ul>
4.	Evolutionary theories	<ul style="list-style-type: none"> <li>• Firms evolve and adapt routines.</li> </ul>	<ul style="list-style-type: none"> <li>• Sticky routines limit the space for strategies.</li> </ul>
5.	Resource based theories	<ul style="list-style-type: none"> <li>• Unique resources underlie competences.</li> <li>• Protect core resources.</li> </ul>	<ul style="list-style-type: none"> <li>• Excessively introspective</li> <li>• Uniqueness may preclude generalisation.</li> </ul>
6.	Complexity theories	<ul style="list-style-type: none"> <li>• Order can emerge from self-organisation.</li> <li>• Recurring patterns of interaction help predictions</li> </ul>	<ul style="list-style-type: none"> <li>• In early stage and rely on computer models and binary logic.</li> <li>• Reality cannot be captured through simple models.</li> </ul>
7.	Interaction and network theories	<ul style="list-style-type: none"> <li>• A rich picture of multiple linkages and plurality of actors.</li> <li>• Links enable as well as constrain</li> </ul>	<ul style="list-style-type: none"> <li>• Empirical verification is difficult</li> </ul>
8.	Relational view	<ul style="list-style-type: none"> <li>• Integration of a variety of concepts in forming a coherent view of the rich contents that make up a relationship</li> </ul>	<ul style="list-style-type: none"> <li>• The details that provide complementarity and connectivity lend the depiction more reality but also make for complexity.</li> </ul>

Source: Authors

What is needed to view holistically the cooperative yet in many ways simultaneously competitive nature of today's business is a more realistic portrayal. The concepts of power and structural interplay that play central roles in Porter's classic efforts are still relevant even if less so today. Resource and innovation perspectives, and costs of coordination are important. Much more so are the interaction, networks and relational views. *Contextual factors* may be the ones that determine the applicability of some or all of these views. Integration may not be elegant in pedagogical terms, but reality may just be that: messy in patterns and revealing in many ways but hopelessly entangled in parts. Managerial task is more complex and needs a fuller quiver, an expanded repertoire. Movement, speed, agility are subtle (Baker & Hart 1989) in their shades but more of these potions may be the only route to gaining fleeting and transient advantages. What we know for certain is that cooperative strategies are as good a bet as any others. In the next section, we detail findings of an exploratory empirical investigation.



### Section Three: Research findings and analysis – A summary of key factors in a set of six case studies

This section details survey findings. A series of in-depth interviews were held with the senior purchasing executives of the six organisations. The range of sectors represented, and the varied nature of activities that these organisations are involved in lend to and serve to enhance the richness of both the context and firm- specific detail.

As a part of research strategy, access was gained by making contact with the senior officials and office bearers of the local Chapter of the Chartered Institute of Purchasing & Supply (CIPS). We attended several meetings and conferences of the Chapter and understood both the working of the Institute and gained acquaintance of several members. Informal discussions were held with a number of key members. Through the help of an academic trainer in a university and a few lecturers, names and addresses of key informants in the sectors chosen for study were noted. In a few cases, the access was organised after written or telephonic requests were made by one of the people mentioned earlier. This process of combining prior understanding and continual validation checks had the impact of increasing the quality of responses as well as ensuring access to suitable and knowledgeable executives.

A semi-structured interview guide was employed for the purpose of gaining information. This allowed for a flexible and responsive approach, and accommodated for the variety that the multi-sector approach entailed. All due care was taken to abide by the spirit of generally known interview techniques and procedures. Where possible, the authors visited and saw first hand manufacturing and other operations. The aim was to capture the dynamics of the context of the industry sectors. The approach adopted was to explore the processes of alliance and partnership formation and was in spirit exploratory in view of the main aim of theory building. The objectives of the research were as follows:

- To understand what processes and modes of alliance-organisation lead to the creation of value,
- To explore the implications of customer-supplier alliances and partnerships and how these lead to performance improvements for partnering firms, and
- To develop a theory of alliances.

A set of broad propositions were formulated to explore alliance/partnership formation motives, value creation potential of collaboration, and process aspects. The interviews were designed to explore the strategies of organisations with respect to their suppliers and the relationships that these firms have with their key suppliers. The information and data gathered in most cases were copious and would have permitted a write-up of full-length case studies. The interviewees were frank and forthcoming. In view of the sensitivity of information, all the findings are made anonymous as much as possible. This is also the express wish and a precondition of interviewees. In the view of the author, this is to an extent an important advantage in that it helps immediate and easy comparison among and between the cases. Too much richness and unique details are some factors that render qualitative cases difficult when it comes to distillation and generalisation that are essential ingredients of any theory building exercise.

#### **Analysis of Research Findings and Discussion:**

We studied the purchasing and partnership strategies of a leading university in Scotland, the Government of Scotland, a computers and electronics multinational, a nuclear power generation firm, the IT operations of a utility, and a process engineering and consultancy services firm. The aim of this section is to explore and highlight *analytical dimensions* that are found in the rich and detailed description of the six cases. We explore relationships that link the varied organisations and also outline the distinct factors that embody the uniqueness of each of the firms studied.



**(1) University Purchasing: An insight into the higher education sector's linkages:** Joint purchasing at national, regional and local levels is an important influence on this institution's performance. Responsibilities for leading national and local level agreements for different commodities are shared among universities. Edinburgh University is leading the consortium's efforts on buying copiers, Strathclyde on IT consumables, Dundee and Aberdeen on stationery and so on. A detailed picture illustrates the enmeshed nature of links that envelop an educational institution's purchasing. This serves to underscore the *strategy space* i.e. enlarged action sphere and scope of higher educational bodies. Developing closer relations with suppliers is an ongoing effort that drives up the influence of professional purchasing and its effectiveness. This is greatly influenced by the networks. Better resource management needs effective and coordinated actions and plans. Streamlined activities are disseminated across universities. Fragmented efforts are giving way to collectively beneficial endeavours. The *leverage* obtained thereof is significant. When buyers collaborate and leverage collective strength, suppliers face a changed scenario. *Convergence of practices* across educational bodies is an important manifestation of lateral cooperation. While these institutes compete on several fronts say in attracting students or for research funds etc, they do present a formidable collaborative front to suppliers of a wide range of commodities. The common aim of improving performance is promoted through the range of mutually beneficial efforts. Public procurement laws and tendering procedures do place a level of *restriction* on the discretion of buyers to develop relationships with suppliers. This is overcome in the innovative way universities have found avenues for collaboration. In this sense universities are **relationships** driven. The paucity of resources and environmental pressures on budgets appear to have been countered. Another element that could be seen at work is the changing of **routines**.

**(2) Scottish Office: Government purchasing is all about "flux"**

Diverse ranges of activities, customers and suppliers make public procurement relatively more complex than is the case with private procurement. Unique and non-recurring nature of demands in conjunction with the inherent intricacies of processes makes the variety too complex to be subjected to task standardisation and control mechanisms. Legal directives and public scrutiny are other important issues to contend with. High employee turnover is an issue that plagues the procurement operations. *Discontinuities* in the range and types of goods procured make it hard to gain any significant benefits of experience.

Changing customers, requirements, suppliers and purchasing staff all contribute to variety and complexity. This inherent uncertainty is to an extent an outcome of the procurement laws that mandate open tender process of selection of suppliers. The bargaining power that size offers may be more than offset by the inability of governments to accrue experiential knowledge and by the levels of *transaction costs* imposed by the need to have suppliers for limited duration. Government purchasing may be best summarised by the characteristic, "flux". The avowed *commitment to market based dealings and the nature of demands* severely limits the discretion on the part of the procurement staff. This is the impact that is induced by the rigidity of **routines** as described in the previous section. Routines are sticky when patterns are set, and limit manoeuvres and room for discretion.

Universities have overcome the *relative isolation* that they might have once suffered from through the route of inter-institutional collaboration. Interstate cooperation at EU level is a theoretical possibility that offers governments an option that might help the consolidation attempts. A more realistic, promising and immediate strategy will involve joining hands with British universities or private firms that may have similar needs and objectives.

**(3) Computers and electronics firm - I-comp: Global power and network dominance**

I-comp manufactures all the servers and high-end computers. I-comp has outsourced a significant proportion of the assembly of lower end desktop computers. While no financial ties are in place, the extent of influence and control that I-comp has over its subcontractor is clear to see. Technology and processes that are employed by the prime subcontractor are determined by the firm, as are all the inputs. With inputs and conversion processes determined, the discretion of the

subcontractor is greatly reduced. Capacity is all that the supplier offers. The extent to which this contributes to the competitive advantage of I-comp appears limited in scope. This is a paradox of outsourcing and network processes. Networks and alliances on the one hand allow division of labour, but on the other hand lead to asymmetric distribution of power and consequential dependencies. Networks do have informal hierarchies and command structures. To the extent that the firm shapes networks, it also establishes the pattern of resource flows (1), relationships (2) and hence routines (3). These three elements are the pillars of strategy and form the *triad* of sources of distinctive skills and capabilities. As patterns and processes become specific to I-comp and its strategic purposes, involved parties may no longer be able to determine their own destiny. Nurturing and encouraging local initiatives is one prime remedy to this sort of development. The electronics and computers multinational has tremendous **resources** and consequent power. I-comp can decide almost unilaterally the strategies of its suppliers and the aspects of relationships and routines that its counterparts adopt.

#### **(4) Nuclear electricity major – NEC: A core of stability becoming responsive in the face of a changing environment**

NEC's growth and future prospects appear to be limited in view of the absence of any major plans aimed at augmenting the existing nuclear power generation capacity. The integrated and to an extent self contained nature of the nuclear utility firm's operations only offers restricted scope to develop *relations* with external firms and draw on their *resources*. As a generator-supplier of energy that is fundamental to the economy, NEC adds tremendous value and contributes in many ways. However, this very unique nature and the accompanying relative isolation tend to be severe constraints on growth and further success. This is a case of existing *routines* imposing inertia. The existing constraints could be seen not only at the corporate level but also at other lower levels and functional aspects. For example the purchasing function in the firm is not seen as *vital* as was the case in many of the other firms that were studied.

As seen earlier universities and governments are evolving and changing through the development of both external and internal linkages that lead to increased efficiencies and effectiveness. Enhancing impact and performance warrants creative destruction of existing routines i.e. innovation. Routines, resources and relationships are interlinked and are of mutually enhancing character. Internal and external linkages affect both the *stock and flow* of these vital ingredients that underpin the success and survival of firms. Absence of relationships could lead to resource gaps and limit the development of routines that aim at enhancing survival and success prospects.

#### **(5) Utilities - IT Operation and Outsourcing: Creating value outside firm boundaries**

GP is a multinational firm with a portfolio of diversified businesses. GP has recently set up a joint venture with an American multinational (Amul) that employs over 35,000 people. The JV will absorb all the ISD operations and staff and some equipment. The rationales for the venture are several. Since deregulation a few years ago, ISD's development work has tailed off and the prospect of job losses was to be avoided. The accumulated expertise of ISD was thought of as something that could be employed gainfully in several markets and industries. Rapidly changing IT field needs constant links with firms in the core IT business. Total outsourcing of all IT operations might mean losing hard won skills and insights, and might leave GP at the total mercy of IT firms that are powerful and dominate the global field. A 50:50 JV is an ideal solution to many of the above-mentioned issues and a suitable vehicle for exploiting emerging market opportunities and leveraging resources. The JV allows linking up with the external environment and opportunities therein. In this sense the JV is a routine, a resource and above all a relational vehicle.

This case also suggests a *progression from simple purchasing to outsourcing to adding value in the external sphere*. Buying in value is only a beginning. Adding value outside the boundaries of a firm may well be a paradigm shift in practice and business theories. Several parallels may be drawn from the case study example discussed previously. Universities are linking up with external parties, as are the electronic firms. While a JV involves financial equity, real value addition comes

from the *accumulated competencies* and their application. The route that GP has taken is to build a **relationship** to rewrite industry rules and set patterns and routines of business.

#### **(6) Oil and Gas Industry - Process Engineering Consultancy services: Connecting growth and linkages**

KSMS engineer, design, procure, construct and install onshore engineering projects. The firm's core business is air separation. The firm's turnover is about £80m of which £22-25m are expenses related to the procurement of capital equipment. Almost half of most projects' budgets are meant for capital equipment expenditure. It was gathered that oil majors and *contractors push the risk down and profit at the expense of suppliers in lower tiers*. The power of big players and their dominance is an unavoidable part of industry networks.

KSMS had nearly 2000 suppliers two years ago. This has now grown to 3000. This rise is driven by the firm's internationalisation of operation and consequent growth in the supply base that resulted with the inclusion of a number of non-EU vendors. KSMS is an *engineering expertise and know-how* driven firm. In the air separation business, the niche that the firm occupies may account for almost 10% of the world market. The growth of the company is driven by its knowledge base. While the uniqueness of its core skills and technology allow the firm great mobility and leverage, this also necessitates *pooling* suppliers' skills, equipment, and technology from other firms. Alliances and partnerships allow the company to combine resources and generate value. **Relationships** could well be argued to be the main *arteries and pathways* through which resources flow and let strategy routines be executed.

This section presented summaries of key factors in a set of six organisations. The underlying idea was to explore each firm's supplier strategies, relationships and the impact of business context. The concern here is with the analysis and discussion of the research findings and relationships that link these varied organisations and also distinct factors that embody the uniqueness of each of these firms. The following table summarises the studied firms and variety of their inner workings. It can be gathered that universities and the utilities firm (GP) are moving towards relying predominantly on **relationships**. KSMS is also attempting to build **relationships** with a few chosen firms. NEC and the government purchasing are subject to regulations or to constraints imposed by the nature of the business they are in. Observing these set ways of doing business leads us to infer that **routines** dictate their conduct. This may not always be desirable or to the liking of concerned managerial staff and may even be considered to be a handicap. I-comp is a multinational that has huge **resources** at its command and this is the element that drives their strategy. Table Two has case summary.

**Table 2: A Summary of cases, underlying factors and strategy characteristics**

Serial Number	Case example and dominant element	Main Distinguishing Factors	Characteristics of main value adding strategies
1	University: reliance on <b>relationships</b>	<ul style="list-style-type: none"> <li>• Internal devolution and skill augmentation</li> <li>• Cooperation at multiple levels</li> </ul>	Consolidation of internal links; and extension and leverage of inter-university relations
2	Government purchasing: reliance on <b>routines</b>	<ul style="list-style-type: none"> <li>• Task Variety and complexity</li> <li>• Winning internal customers and modernisation of practice</li> </ul>	Management of flux and continuous change
3	Computer industry giant - I-comp : reliance on <b>resources</b>	<ul style="list-style-type: none"> <li>• Power and dominance over networks</li> <li>• Creation of global order and tapping local innovation</li> </ul>	Network shaping and management
4	Nuclear major – NEC : reliance on <b>routines</b>	<ul style="list-style-type: none"> <li>• Core stability and isolation</li> <li>• Diversification to increase flexibility</li> </ul>	Multiplication of linkages and flexibility
5	Utilities firm - GP : reliance on <b>relationships</b>	<ul style="list-style-type: none"> <li>• Accumulated expertise and external opportunities</li> <li>• Move beyond sourcing value</li> </ul>	Adding value in the external arena and building skills through learning
6	Process consultancy – KSMS: reliance on <b>relationships</b>	<ul style="list-style-type: none"> <li>• Growth of linkages</li> <li>• Wider application of knowledge base</li> </ul>	Enlarging application through pooling skills and knowledge

Collaboration with other organisations is seen to be becoming increasingly important to firms. The *organisational context and practices* are here seen to be almost as important, if not even more. Theoretical perspectives derived from the previous section and the combination of insights from the and current section lead to the assembly and a unique synthesis of three cores viz. resources, relationships and routines that make up firms and their constituent subunits as well as different functions, and likewise industries and economic systems. Alliances, partnerships, networks and clusters are mechanisms that facilitate the building processes that generate and modify these three cores, and in turn are supported by these basic ingredients. *Managerial arsenal and tools* are aimed at affecting the stock and flow of the 3Rs: Routines-Resources-Relationships. The 3Rs framework is presented below.

## Three 'R's of Alliance Strategy



Source: Authors

Contextual factors and managerial initiatives determine the *relative proportions* that make for a *recipe for competitive success*, which in turn determines outputs and outcomes of business strategies. The 3Rs framework also satisfies the key cumulativeness criterion that all theory building exercises and scientific endeavours are subject to. This constitutes a major and fundamental contribution of the research article in that it builds on and complements existing frameworks and theories in the sub-fields of marketing strategy and industrial and business-to-business marketing. The next and final section provides conclusions, implications, and outlines a research agenda aimed at building the theoretical framework presented above.

### Section Four: Conclusions, implications, and future research avenues

#### 3Rs Framework

The 3Rs model is an independently derived framework and is a product of the **synthesis** of a wide-ranging number of theories from a number of related management disciplines. This model is analogous to the Actors-Activities-Resources (A-A-R) model of industrial networks (Hakansson & Johansson 1997). Network and business markets agenda and output are at the forefront of the process of challenging previously dominant notions of business strategy and offering alternatives (Hakansson & Snehota 1997). **3Rs framework is elaborate in its detail and recent conceptual and empirical developments are integrated.** At the same time, the 3Rs model is parsimonious and has strong theoretical roots. This model also is an improvement on the Architecture-Innovation-Reputation-Strategic Assets combination thought to underlie corporate success (Kay 1993) and the seminal sources-positions-performance (SPP) framework forwarded by Day and Wensley (1988).

*Routines-Relationships-Resources* (3Rs) is a **generic framework** that could be employed at different levels. The and it is important to note the two way influence that each of the three cores has on others in the *triad*. At its lowest level of usage, the 3Rs model could be employed as a

*pedagogical tool and a descriptive mechanism.* At a higher level, managers and academics alike could utilise the framework as a *diagnostic and audit* tool. At a third and final level, the previous two levels of usage could be further incorporated into the strategy formulation and implementation aspects of organisation. Managers may assess the level of each of the three elements of the 3Rs model the businesses they are concerned with have and may wish to modify one or more elements to gain rapid and sustainable competitive advantage. It is in this sense that the framework *has predictive and explanatory* power. Finally, the model is amenable to empirical verification and validation. As such, the model forms a key step in theory building process that this research project aimed at.

#### **Agenda and avenues: Research propositions and application of the 3Rs model**

The set of propositions is presented below. The table makes it easy to read them all together and form a picture of the linkages that connect them.

**Table 3: The set of Propositions for Future Research**

Proposition 1: The combination and relative proportions of the 3Rs employed by firms are linked to the nature and type of industry that the firms are in.

Proposition 2: The differential practices among competing firms concerning the manipulation of the 3Rs explain firm performance differentials.

Proposition 3: Changes in routines induce changes in the portfolio of relations of a firm. This is reflected in the number of relationships, and changes in their individual nature and contents.

Proposition 4: Uniqueness of routines i.e. the nature and extent of competitive imitation determines returns.

Proposition 5: Environmental uncertainty negatively impacts returns from the relationships portfolio unless the combination of the 3Rs is modified to reduce and counter the impact of environmental uncertainty.

Proposition 6:: Changes in interaction patterns (sub-routines) in a relationship modify the nature of the relationship and its actual and potential impact and returns.

Proposition 7: Changes in resources and investments are positively related to changes of relationship profile at the individual and aggregate levels of relationships.

Proposition 8: Changes in the aggregate or portfolio level of relationships and resources are positively related to changes in financial and non-financial indicators (returns).

#### **Implications, limitations and conclusions**

The firm may be rightly seen as a set of routines, resources and relationships. These three mutually reinforcing and interrelated cores make up the recipe for success or otherwise. It is the aggregate of these three cores that makes up a firm and determines its effectiveness. In characterising the firm and its relations using the combination of the 3Rs, our framework offers cooperation as the main route to value creation. The process that guided the research is subject to some limitations. The present work aimed at generating a theoretically valid model and placed emphasis on integrating a wide range of theories. The diversity of the business contexts examined does make it complex to derive guidelines specific to one or more industries. Longitudinal studies are necessary to examine the interrelatedness of the three cores that make up the 3Rs model.



Although it is likely that the complexity of the studied topic warrants qualitative examination, the same could be made more rigorous through the development of constructs for key elements and exploration of the same.

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