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Managing the Competency Trap of Asymmetric Relationships

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Abstract

Recent research indicates a growing interest in understanding the nature of asymmetry in customer-supplier relationships (Blomqvist 2002; Chen and Chen; 2002). Research to date has suggested that asymmetry may be associated with an imbalance in different characteristics of relationships (Johnsen 2005). However, most previous research on asymmetry has not taken adequate account of the preconditions – or existing characteristics – associated with asymmetry in relationships, nor the influences of these preconditions on how suppliers' competencies are developed. Furthermore, existing models of asymmetry fall short of considering that different types of asymmetry may exist, and that different types of asymmetry in relationships may be associated with particular problems in competence development (Machat 2003). So, as yet, there are few studies that examine the potential complexities of managing asymmetric relationships, particularly from the perspective of small and medium-sized suppliers. This purpose of this paper is to examine the perspective of smaller suppliers and to explore how they may better manage their competence development in the context of asymmetric relationships.

Keywords : asymmetric relationships, small and medium-sized suppliers, large customers, organisational learning, competency trap.

Literature addressed

Small and Medium-sized Suppliers' Competence Developments in Asymmetric Relationships

An increasing body of literature indicates that in asymmetric relationships between smaller suppliers and larger customers, problems in competence development may arise for suppliers in growing 'state of the art' competencies in management, technology or co-operation (Blomqvist, 2002; Chen and Chen, 2002), and in managing the organisational learning required for 'valuable' competence development to take place (Stremersch, Wuyts and Frambach 2001).

There are few specific definitions of asymmetric customer-supplier relationships. However, one recent definition offered by Blomqvist (2002) implies that in asymmetric relationships there is a measure of difference in the size and corresponding power and capabilities of firms. Small and medium-sized suppliers may face a number of problems in developing the competencies to cope in asymmetric relationships with customers. Identifying and distinguishing between competencies and assessing those which may be suitable for development in particular relationships may be a lengthy and difficult task (Leonard-Barton 1992). This may be aggravated in relationships where decisions about required competencies have been primarily in the hands of the largest and most powerful party in the relationship. It may be difficult for small suppliers to admit to, or come to terms with the fact, that there are gaps in their knowledge or expertise that should be filled to enable their competencies to become more valuable to their relationship counterparts (Quinn and Cameron, 1988). Self-awareness and knowledge about competencies may therefore be critical in enabling small suppliers to identify their 'Achille's heel' in relationships (Mintzberg and Quinn, 1992) and to set development priorities.

Smaller suppliers often follow a path of developing a narrow core of competencies to aid their specialisation under increasing global competition (Blomqvist 2002; Crick and Jones 2000). However, increasingly this means that suppliers have difficulty in developing the dynamic 'full-service' competencies required by demanding larger customers (Stremersch, Wuyts and Frambach 2001). Hence, smaller suppliers face challenges in maintaining wide and varied competencies to assist them in developing positioning advantages and superior customer value (Gale 1994; Matthysens and Vanderkempt 1998).

Competence development has an important role within the overall development of value potential in relationships (Wilson and Jantrania 1994; Walter et al. 2001). Customers may evaluate a supplier's competencies based on a combination of several combined organisational competencies that are not easy to assess, as they may partly be tacit (Möller and Törrönen 2003). Thus, smaller suppliers need to be able to demonstrate the value potential of their competencies to become 'customer-oriented' (Day and Nedungadi 1994) and to enable their larger customers to assess their potential contribution to their relationship.

In dyadic relationships, interaction makes use of the competencies of a company, but may also lead to their change or development over time (Ford et al. 1986). Competencies may erode or decay over time as a result of not being fully utilised. Changes in relationships and a firm's network, may lead to erosion or obsolescence of a firm's competencies, or require that new competencies be developed. Furthermore, changes in the type of relationship required by customers may make a supplier's relationships obsolete if they do not have the ability to re-deploy their current competencies in new relationships, or adapt their relationships and competencies to suit new network demands. Hence organisational learning is closely associated with competence development in smaller suppliers, as discussed in the following section.

Organisational Learning and Competence Development

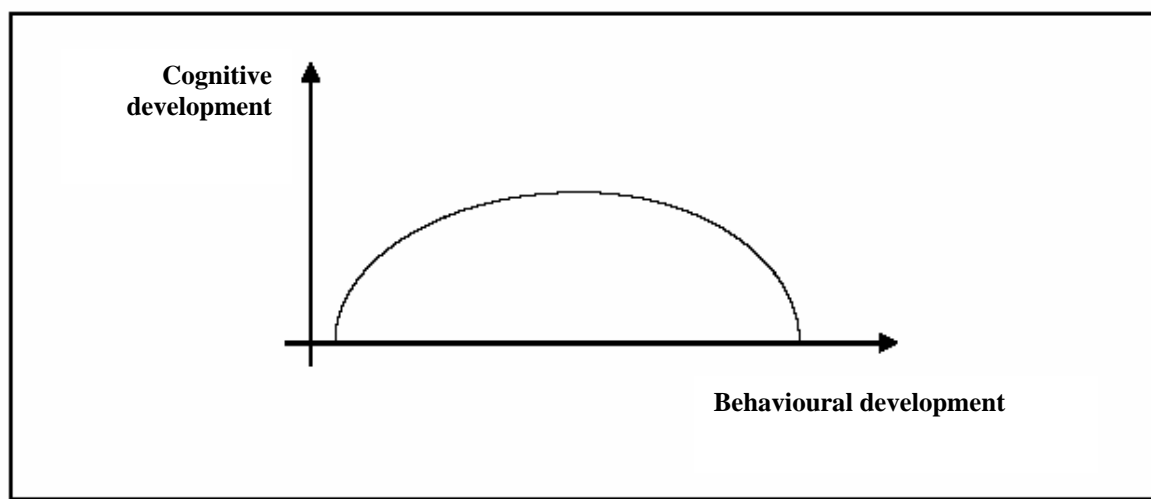
In the organisational theory literature, a debate has emerged, on the usefulness of what has been considered as the first level of the organisational learning process, concerning adaptive learning or single loop learning. Chaston et al. (2000) reduce single loop or adaptive organisational learning to a focus on improvement of any current operation, based on existing knowledge and commercial experience. Most research to date has considered adaptive learning as a less appropriate way to establish new competencies. Not because adaptive learning does not produce new competencies, but because it tends to lock and limit the set of a company's possible range of competencies.

Argyris (1986) has raised the issue of 'incompetence' skills, whereas Levitt and March (1988) have revealed the existence of a 'competency trap'. Similarly, March (1994) highlights the competency trap experiences of even the most successful organisations. Indeed, success may be conducive to organisations repeating choices that have been set by precedent in the organisation as well as legitimising the dominant vision of firms (Reix 1995, p.20).

On the one hand, we should not lose sight of the contribution of adaptive learning to a smaller supplier's survival or performance. On the other hand, adaptive learning may predominantly concern firms involved in stable markets where customers require standard products or services. But, smaller suppliers may often be valued primarily for their agility, ability to adapt and provide the dynamic 'full-service' competencies required by demanding larger customers (Stremersch, Wuyts and Frambach 2001).

Building on Fiol and Lyles (figure 1.), we relate the adaptive learning process in our research to both behavioural development and the higher level of organisational learning that may take place only through cognitive development.

Figure 1. Levels of organisational learning dependent on either cognitive or behavioural development.



Fiol and Lyles, 1985, p 807

Any behavioural development, such as establishing procedures or routines with major customers, for example, leads to experiential learning. However, without cognitive development, such as the use of peripheral commercial information (Day 1994) depending on the business owner's relational variety, the organisation may fall into a competency trap of adaptive learning. In the same vein, any cognitive development, such as organisational sense-making (Daft and Weik 1989) for example, may generate new market representations (Day and Nedungadi 1994). Without any behavioural development, such as repeated commercial transactions with the same customer, the organisation may fall into a competency trap of cognitive learning.

Both relational variety and the balance of a smaller supplier's portfolio are two issues that, we argue, are inescapable in seeking to reduce the risk of, respectively the cognitive and adaptive competency traps. The fundamental issue for smaller suppliers is then to maintain, in their relationship portfolio, employees, customers or suppliers who don't share their core beliefs, but who open up opportunities for learning in SMEs. Therefore, smaller suppliers should maintain some customers in their portfolio on the basis of their contribution to qualitative features, such as new market development, size differences, internationalisation opportunities, rather than solely on the basis of quantitative criteria, such as level of sales to that customer.

The research question explored in this paper is:

How can small and medium-sized suppliers avoid the potential pitfalls of the competency trap through a clearer understanding of alternative types of relationship asymmetry and their associations with different types of organisational learning approaches?

Conceptual Developments:
**A Framework for examining types of relationship asymmetry and their
associations with the competency trap and different types of organisational
learning approaches**

The conceptual developments in this paper are based on the premise that small and medium-sized suppliers may avoid the potential pitfalls of the competency trap through a clearer understanding of the alternative types of relationship asymmetry and their associations with different types of organisational learning approaches.

We propose three types of relationship asymmetry, namely co-existing, transitional and uniform asymmetry. These differ according to the distinguishing characteristics of small and medium-sized supplier's relationships and potential problems for small and medium-sized suppliers' in their competence developments (see Table 1).

Table 1. Types of relationship asymmetry and corresponding problems in competence development for small and medium-sized suppliers

Types of Relationship Asymmetry (Adapted from Johnsen, 2005)	Distinguishing characteristics of small and medium-sized supplier's relationships	Potential problems in competence development
CO-EXISTING RELATIONSHIP ASYMMETRY (elements of asymmetry and symmetry both present in characteristics of supplier's relationships with larger customers)	<ul style="list-style-type: none"> - Many relationship opportunities and choices - High awareness of and involvement in relationship development - Experience of high levels of change in customer portfolios and patterns of interaction - Positive, assured, informal approach to relationship development 	<ul style="list-style-type: none"> - Management of many varied customer types and projects, stretching resources to enable their effective management. - Deciding which opportunities and associated competencies to develop or reject. - Strategic and operational adaptation to meet requirements of varied counterparts.
TRANSITIONAL RELATIONSHIP ASYMMETRY (characteristics of supplier's relationships with larger customers in transition from asymmetry to symmetry)	<ul style="list-style-type: none"> - Two distinct sets of rel. choices - established larger customers and new strategic priority customers - Awareness of & involvement in established large customer rels., but not in those of strategic priority - Experience of moderate levels of change in customer portfolios & patterns of interaction - Hesitant, semi-formal, semi-confident approach to relationship development 	<ul style="list-style-type: none"> - Development of differing approaches to customers and methods of management for different relationship portfolios. - Setting priorities for different types of relationships. - Strategic and operational adaptation to meet requirements of two distinctly different types of customers.
UNIFORM RELATIONSHIP ASYMMETRY (near total asymmetry in characteristics of supplier's relationships with larger customers)	<ul style="list-style-type: none"> - Very restricted range of relationships and opportunities - Superficial awareness of and involvement in relationships - Experience of low levels of change in customer portfolios and high level of change in patterns of interaction - Negative, reactive, formal approach to relationship development 	<ul style="list-style-type: none"> - Stagnation in relationship development and associated competence development. - Acceptance of one/few customers' management approaches. - Strategic and operational adaptation to meet requirements of one/few customers.

Smaller suppliers with co-existing asymmetry in their relationships may be in relationships with larger customers where there is much mutuality and a relatively flexible and open approach to relationship development. Hence, smaller suppliers in these types of relationships may have a myriad of different opportunities for relationship development open to them at any one time. So, these suppliers firms may have problems, not in developing customer relationships, but, in deciding which opportunities to accept or reject. Thus, smaller suppliers with co-existing relationship asymmetry have to juggle the management of many varied customer types and projects, stretching resources to enable their effective management.

For smaller suppliers experiencing transitional relationship asymmetry there may be two distinct choices that mirror the transitional state between asymmetry and more symmetry in relationships. In effect, these firms have to make stark choices between long-established relationships with larger customers, and those that are newer, developing, and of 'strategic priority', or of greater importance to the future development of the firm. These smaller suppliers would be unable to juggle two different

types of relationships, as they would be diametrically opposed and require starkly different approaches and methods of management.

For smaller suppliers with uniform relationship asymmetry, relationship choices possibly seem easy – in effect they will be almost non-existent, as this supplier's larger customer relationships will have reached the point of stagnation, and the supplier may be unable to identify any alternatives. The problems for these smaller suppliers will lie in their resignation and acceptance of their current relationships. Unlike firms with co-existing or transitional relationship asymmetry these smaller suppliers will not strive to change their relationships with larger customers, but may have an uneasy acceptance of them.

Having discussed the features of the different types of relationship asymmetry for smaller suppliers, we shall now present a conceptual framework that links the different types of relationship asymmetry with organisational learning approaches and options for coping with the competency trap.

Table 2 presents a framework for examining different types of asymmetry and their associations with different organisational learning approaches and associated options for coping with the competency trap for small and medium-sized suppliers.

Table 2. Types of relationship asymmetry, organisational learning approaches and coping with the competency trap

Types of organisational learning / asymmetry	Adaptive learning	Coping with the competency trap	Generative learning
Co-existing asymmetry	Establish procedures and routines	Stabilise some business relations	Competency trap of <u>generative</u> learning
Transitional asymmetry	Match strategic priority and established larger customers	Select key accounts adapted to core competencies	
	Competency trap of <u>adaptive</u> learning	Establish new strategic priority customers	Relational variety & Peripheral information development
Uniform asymmetry		Enlarge customer portfolio	

Our framework in Table 2 is derived from a synthesis of literatures grounded predominantly in IMP (e.g. Ford et al. 1986; Håkansson and Snehota 1990, 1998; Alajoutsijärvi et al. 1999; Ford and Håkansson 2002; Johnsen 2005; Machat 2003), as well as research on competence development from the strategic management literature (e.g. Leonard-Barton 1992).

The purpose of the framework is to provide a conceptual structure to explore how different types of relationship asymmetry (Johnsen 2005) may be associated with different 'competency trap' situations (Machat et al. 2004). We define a competency trap as a rupture of the organisational learning process. In the case of adaptive learning, this rupture is due to resorting systematically to a procedure which has become obsolete. On the contrary, in the case of generative learning, the firm doesn't resort to a well established set of routines or procedures, due to the environmental turbulence, diversity, or a lack of shared vision with customers about its strategy, for instance. The concept of competency trap was first introduced in the literature by Levitt and March (1988). The competency trap is also associated with the frontier between adaptive and generative learning in the organisational learning theory

(Argyris and Schön 1978, Fiol and Lyles 1985) as well as in market orientation theory (Slater and Narver 1999).

The competency trap may be associated with asymmetry in the relationships of small and medium-sized suppliers as the small firm is often much more reactive in its relationship with its main customer than in other relationships in its network. In addition, in business markets, relationships may often be used as a means of adapting products and strategy to market-led change, which could condemn a small supplier to marketplace inertia (Beverland 2005). We argue that in situations of relationship asymmetry, being reactive and adapting relationships to market-led change may reinforce problems associated with the competency trap for smaller suppliers.

For smaller suppliers with co-existing relationship asymmetry the competency trap is associated with generative learning. This association relies on the very special relationships between organisational learning that a firm experiences and its environmental links. Indeed, the more an organisation establishes different relationship connections in its networks, both in terms of quantity and quality, the more it reaches higher levels of organisational learning (Håkansson et al. 1999). Moreover, following Bandura (1980) we argue that organisational learning is a function of interaction with internal or external environmental entities: employees, suppliers, customers, stakeholders. This point is well-established beyond industrial marketing literature; for example, De geus (1988) highlights that organisational learning depends on managers' capacity to absorb environmental diversity. Nevertheless, it appears that beyond a certain degree of environmental diversity and flexibility, this capacity is inhibited - the learning process is no longer possible. Indeed, earlier research on learning demonstrates that most knowledge is driven from concrete experiences of repeated actions and their corresponding effects (Kolb 1984). Thus, beyond a certain level of diversity and number of relationship connections, learning through supplier/customer interaction may no longer be so potent a force for smaller suppliers. Thus, the problems experienced by these suppliers may relate to the management of many and varied customer types and projects, stretching resources to enable their effective management, deciding which opportunities and associated competencies to develop or reject and how to cope with strategic and operational adaptation to meet the requirements of numerous customers.

Uniform relationship asymmetry raises a number of potential problems for smaller suppliers associated with the competency trap, due to resorting systematically to procedures drawn from a unique or few business relationship(s). For suppliers with uniform relationship asymmetry the competency trap is associated with adaptive learning. Following Kolb (1984), and the experiential view of organisational learning, each current experience (e.g., negotiation with a large customer) is compared to the range of commercial knowledge by managers/owners of the small firm (e.g., former marketing strategies). Such a learning process tends to reinforce the dominant, well-known, vision of the organisation's strategy, including its main business relationship management models (see figure 1: levels of organisational learning dependent on either cognitive or behavioural development, p. 2). Thus, the competency trap is associated with behavioural learning in the case of uniform relationship asymmetry and no cognitive development is possible. So, for smaller suppliers with uniform asymmetry, problems lie in the stagnation of their relationship development and associated competence developments, the acceptance of one or a few customers' management approaches and coping with the strategic and operational adaptation required to meet the demands of one or few customers.

For smaller suppliers with transitional relationship asymmetry the competency trap is associated with both generative and adaptive learning. Firstly, a competency trap of generative learning may occur in transitional relationship asymmetry when small suppliers are unable to identify key/strategic relationships. In figure 1 (p. 2), this situation illustrates the absence of generative development, due to a lack of behavioural development (corresponding in our research, to a lack of small supplier/ larger customer interaction). This S/C interaction may be aimed at expanding a core competence that the customer possesses (standard of quality in the food industry, for instance) or a developing a market that the customer accesses (e.g. foreign market development in the textile industry). Secondly, a competency trap of adaptive learning may occur in transitional relationship asymmetry when small suppliers suffer from a lack of relational variety or peripheral information. This situation is very common when most of the smaller supplier's resources are dedicated to one or a few larger customers. Finding new strategic priority customers to develop peripheral information should draw the small supplier towards a generative learning process. The problem is therefore for small suppliers to develop differing approaches to customers and methods of management for different relationship

portfolios, setting priorities for different types of relationships and strategic and operational adaptation to meet the requirements of distinctly different types of customers.

Conclusions

In this conceptual paper we have proposed that small and medium-sized suppliers may avoid the potential pitfalls of the competency trap through a clearer understanding of alternative types of relationship asymmetry and their associations with different types of organisational learning approaches.

The contribution of this paper is a new conceptual framework which provides a first step in linking relationship asymmetry with the competency trap and approaches to organisational learning in small and medium-sized suppliers. Whilst we have provided some possible indicators of how the three types of relationship asymmetry experienced by small and medium-sized suppliers may link to potential problems in competence developments and different types of approaches to organisational learning for smaller suppliers, the framework presented here only constitutes the first step in operationalising the conceptual elements, as a critical step in developing the framework into a managerial tool.

The next stage of the research is to further refine the conceptual framework, formulating specific indicators or measures for each of the elements comprised in the framework. The intention is then to further develop the framework through reporting on empirical studies of French and UK small and medium-sized suppliers in asymmetric relationships with larger customers.

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