MANAGING CUSTOMER RELATIONSHIPS:
ORGANIZATIONAL EVOLUTION IN THE IT FIRMS

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1. Introduction

The aim of the present work is to discuss the concept and the role of marketing management according to a network approach and to apply such a concept in the analysis of some of the processes of organizational development characterizing large firms offering Information Technology solutions.

Network approach to marketing management (Hakansson-Ostberg, 1974; Hakarisson, 1980; Mattsson, 1985; Johanson-Mattsson, 1992) challenges the traditional views on marketing which tend to consider the seller as an active and the buyer as a passive operator. In the network approach it is assumed that both the seller and the buyer are active operators involved in long-term interaction relationships.

In orthodox marketing, the market is formed by a great number of anonymous buyers; the seller firm groups them in different but homogeneous segments. Buyers do not have any specific identities and they are considered active operators only in the act of discriminating between different kind of supply (in the limits of their cognitive capabilities and learning experiences) and in deciding whether to buy the product or not.

Some authors (Lambin, 1991) view the buying process as a problem solving process where the buyer, however, has not the resources and the capabilities to interfere and to condition the nature of the supply. The seller is the active operator and marketing management concerns the best way and techniques by which the seller can manipulate, assemble and use the more appropriate means (price, product, distribution, advertising as well as services, sales promotion and public relations) to obtain a positive buying action by the consumer.

In the strategic marketing management models, developed in the eighties (Day-Wensley, 1983; Zeithaml-Zeithaml, 1984; Wind-Robertson, 1983; Valdam, 1986) the focus is on the process by which the seller analyzes, understands and foresees consumer’s needs in order to control the market and to plan its development.
Most of these strategic marketing management models falls back on recent organizational theories which, in contrast to the traditional approaches considering organizations as adapting to the environment on which they are dependent, argue that organizations can become positive agents of change and manipulate and manage the environment or, at least, part of it (Pfeffer-Salancik, 1986; Miles-Snow, 1978).

Strategic marketing management assumes turbulent markets and the rapid evolution of consumer needs and wants. It focuses on the processes and the means through which firms anticipate and specify needs and wants. Buyers are still considered to be passive, foreseeable and homogeneous or, at least, easily segmented in homogeneous categories.

Summing up, in orthodox marketing, sellers act, buyers are stimulated to react and separate independent transactions take place between the parbes. The management problem of the seller firm is to manage these transactions and the emphasis is on the combining of the marketing parameters in order to stimulate consumer reactions in a way that maximizes sales and revenues.

The briefly discussed orthodox marketing, however, offers a restricted understanding of the reality occurring in markets and in industrial markets, in particular. As it is suggested by several recent studies, industrial markets are characterized by long-term and stable individual relationships between sellers and buyers and both parties are active in the originating and developing of the business relationships (Hakarisson, 1982; Turnbull-Valla, 1986; Ford, 1990). Experience shows that managers deal with most customers on an individual basis and that buyers are often active in seeking the supplier, in making demands with regard to both exchange quantity and the quality of the products, sometimes participating in the specification of the product (Hakansson et Alii, 1980; Von Hippel, 1978).

In industrial markets, buyers and sellers are thus involved in long-term relationships. These relationships should be considered as interaction processes with exchange content (technological, social, information exchange) and mutual adaptation
Buyer-seller interaction processes are conditioned by the relationships that each of them has with other actors. Both the seller and the buyer are, in fact, embedded in a set of interdependent exchange relationships (Johanson, 1989). Markets are therefore considered as networks of connected interaction relationships instead of an atomistic system of transactions between buyers and sellers. The history and the future of networks are resulting from these interaction processes (Snehota, 1991). The seller’s effectiveness and performance depend on its capacity to effectively handle interaction relationships with the buyers but, at the same time, the capacity to perform in such a specific exchange relationship reflects the position acquired in the whole set of other relationships developed (Hakansson-Snehota, 1989; Mattsson-Johanson, 1991).

According to the briefly recalled network approach, industrial marketing management should not be considered as the optimization of the marketing mix variables in order to obtain a positive response by a passive customer, nor does it concern the strategic planning of the market. According to the network approach, industrial marketing management concerns the handling of interaction processes with semi-autonomous active actors that are not faceless and not foreseeable in their behaviour. More precisely, marketing activities are “those activities that serve to establish, maintain, develop and sometimes break relationships, to determine the exchange conditions and to handle the actual exchange. Market research, advertising campaigns, sales calls, adjustments of products to specific customers’ needs are marketing activities that might be needed to develop positions to customers” (Johanson-Mattsson, 1986). In summing up, while traditional marketing approach always has been considered a problem of competitive strategy, the network approach to marketing management transforms it into a problem of cooperative strategy (Snehota, 1991).

After a brief analysis of the dynamics characterizing the information technology industry and of the growing active and creative role of the buyers in this industrial
market. I shall employ the network approach to marketing management and discuss the consequences of the necessity to interact with different specific, though not faceless, buyers on the internal organizational development of the traditional large hardware producer and the marketing management implications of these organizational changes.

My main thesis is that to the prevalence of individual active buyers in the market corresponds an explosion of individualism also inside the seller firm, that is a decentralization of competences and an higher autonomy, responsibility and qualification of the internal commercial units which are compelled to develop and manage interaction relationships with a specific buyer (or with a specific group of buyers). In these terms, marketing management concerns not only the seller firm’s management of its “external” interaction relationships but also the management of the communication among the “internal” actors handling, according to different interaction development processes, the relationships with the “external” ones.

My general thesis will be supported and elaborated through two case stories of internal organizational change: IBM Italy and Digital Equipment Spa. Most of the material I present and discuss in this work results from interviews I conducted in these companies.

2. Active buyers and buyer-seller interaction relationships in the IT industry

Information technology sector is particularly suitable for the development of my analysis on organizational changes in the commercial structures of large industrial seller firms which assumes active buyers and sellers and long-term interaction relationships among them.

The reasons why this sector is particularly adequate to support my thesis are to be found in the changes in the nature of the IT product whose development and market success necessitates for the sellers to interact with their buyers. To better understand
this, it is important to recall the development of the IT sector both on the scientific-technological side and on the demand side.

The innovative dynamics in the hardware technology have significantly reduced the size of the computers (downsizing) and their prize (downprizing) and tremendously increased their processing capacity. As concerns software technology, the diffusion of Open Systems has made the hardware product more standardized. Today, the traditional large hardware producer can no longer rely on the hardware products for its profits and, in particular, on reducing their size and increasing their power. Profits are increasingly becoming dependent on the offering of innovative use of existing hardware.

Computers have become too powerful for the uses for which they are employed and it has become necessary to bridge the gap between the application potential of the computers and the degree to which it is realized in use. If value derives from scarcity “in the computer industry scarcity now resides in the gap between power - what computers and their underlying semiconductor technology are capable of doing - and utility - what human imagination and software engineering are capable of enabling computers to do” (Rappaport-Halevi, 1991). Hence, decreasing profits, due to “technological downsizing”, must be recovered through “application upsizing”.

Besides giving the computer the capacity to understand human voice or to read human writing, it becomes necessary for the traditional hardware producer to sell not just products but solutions capable of solving precisely the buyer’s application problems and to arrive to build integrated informative environments tailored for the buyer itself. Such seller’s goals, as well as the changing nature of supply, must furthermore also be connected to the particular dynamics which characterize the demand side of IT which is mainly composed by individual active buyers.

Buyers are often industrial firms which buy the solution (or the system) as a support for their production activity; they are therefore particularly interested in the characteristics of the solution itself and in its possible technological development so
that they sometimes make experiments on it and suggest innovations in its design or in its use. They may also take part in the realization of the system itself.

There is evidence that the traditional hardware producer has to face experienced buyers that know what they want and look for partnerships with the supplier. In order to follow the changing needs of the buyers, to incorporate their know-how, their experience and their know-why, the seller must engage in long-term relationships with the buyers, to realize the specific solutions which solve their specific application problems.

In the IT industry, buyer-seller relationships therefore develop, and must develop, as long-term interaction relationships. Seller’s effectiveness, that is the holding of a sound and positive exchange bargaining potential in the market (Hakansson-Snehota, 1989) is strictly dependent on its capacity to handle long-term interaction relationships with dynamic and active buyers.

In the IT industry, as in main other industries, buyers are not interested in the technology in itself but in the "intelligence" that it incorporates and which can be used to improve their activity. Information technologies represent for them an infrastructure which support their growth and their organizational efficiency in relation to the new emergent forms of decentralized management of the organizations requiring intelligent connections among different working centres.

As a consequence of their structural and organizational development and of the potential given to them by the initiatives of suppliers (first of all the diffusion of Open Systems which permit the user a greater possibility to choose among multi-vendor environments), buyers have acquired a deeper awareness and consciousness regarding the supply of information technology. They turned from expressing an induced demand of hardware to specify an autonomous demand of application and services. In other terms, in the IT industry, buyers do not simply express the need of a product which, once understood by the seller can be immediately satisfied and also guided. Buyers specify a demand of personalized solutions and are active part in the definition of their functional characteristics and of the terms of their use.
3. Changes in the commercial organization of IT suppliers: some empirical evidences

The necessity to interact with individual active buyers forces the hardware producer to make important organizational changes in its commercial structure. According to my findings, an organization founded on many autonomous active decisional units, responsible for the direct or indirect (through intermediaries) management of interaction relationships with specific groups of buyers, develop.

The organizational changes that are occurring within IBM and DEC, which will be introduced in the following paragraphs, illustrate these tendencies. They are an important signal of the processes of internal network development which are affecting the firms object of my analysis in order to better relate to the buyers and to develop successfull long-term interaction relationships with them.

3.1 From a geographical-oriented organization to a buyer-oriented organization

The first important organizational change which is occurring in the large hardware producer, indicating the criticality of interacting with individual active buyers and setting the basis for a deeper restructuration of the firm, is the shift from a geographic-oriented commercial organization to an industry/buyer-oriented one.

Since the first half of the eighties, both at IBM and at DEC, the organizational principle at the basis of the ripartition of the commercial tasks was strictly and rigorously geographic. At DEC, for example, three general managers were charged to control and direct the sales of the DEC hardware product in the North-East, in the North-West and in the Central-South of Italy. Each General Manager directed a certain number of districts which supervized the sales representatives. The same structure, even though the geographic regions differed, could be found also in IBM.
In IBM, four Area Managers directed geographical branches with sales representatives specialized according to the type of product and not according to the customer’s application problems.

In the second half of the eighties, both at IBM and at DEC, there was the shift from a sales model based on geographical areas to a sales model based on sectors of industry and, more specifically, on the homogeneity of the application problems of the customers.

In IBM four General Managers are now in charge for developing and managing interaction relationships with the financial sector, the manufacturing sector, the Public Administration sector and the scientific-technological sector. As it will be described further, each General Manager has the responsibility to study and understand its own market sector (it has its own marketing intelligence structure for this purpose), to develop plans finalized to maximize revenues and to handle the relationships with other internal directions.

Different numbers of DOCs (Commercial Operation Directors), which are the real managers of the interaction relationships with the buyers, belong to these Directions. Each DOC is responsible for the management of the interaction relationships with a number of buyers, belonging to the same industrial sector and grouped according to the homogeneity of their application needs (for example, a DOC responsible for the supply of CIM, Computer Integrated Manufacturing, solutions exists).

Sometimes buyers are grouped according to their size as in the case of Fiat (a DOC can manage only one relationship when the buyer has a large dimension or a particular relevance for the business enterprise) or according to the geographical area they belong to (it happens in the case of some banks and in the case of Sicily which is managed by one DOC). The DOC has the power to delegate the management of a relationship to another manager. For example, it can leave to a local area manager the management of a relationship with a branch of a buyer located in its area.

At DEC, the new sale structure is called “account based organization”. It is structured into six Commercial Directions focused on specific industrial markets: the
finance market, the telecommunication market, the manufacturing market, the scientific-spatial  and the services market and the Public Administration market. Each Direction is based on the Account Managers, new entrepreneurial subjects responsible, as the DOC in IBM, for the management of the relationships with groups of existing and potential buyers according to the similarity of their application problems, their geographical localization and, sometimes, their size.

The changes in the commercial structures briefly recalled are strictly connected to the changing nature of the business enterprise’s supply. This is passed from the sale of a product to the development of a solution able to satisfy the specific application needs of the buyer. In other terms, the new various and variable market segmentation is the result of the necessary choice of the IT firm to transform from an organization focused on the product and on its most efficacious distribution into an organization focalized on the customer and on its most efficacious satisfaction.

The organizational change in the commercial structures of the IT firm is further complicated by the presence of indirect distribution channels which are composed of independent active intermediaries acquiring an increasing relevance for the IT firm.

The intermediaries qualify themselves as “third parties” between the market and the hardware firm. To the hardware firm intermediaries accrue increasing relevance in that they allow for a better market coverage when it comes to standardized or relatively simple hardware products (personal computers, in particular). Thanks to their deep knowledge and connection with local and niche realities, the best satisfaction of vertical specific application needs is also attained. In these terms, third parties do not simply represent for the IT firm an alternative distributive mean but a very important channel to maintain and develop long-term interaction relationships with the buyers in condition of complementarity with the direct sales forces. For this reason the hardware firm has been forced to reorganize the management of its intermediaries with the objective to promote their cooperation and integration with the direct sales forces which are involved in the supply of more complex solutions to large size customers.
As concerns DEC, in 1991, a new company called DEE (Digital Equipment Enterprise) was born from the Italian branch of the American multinational company and the same happened in all other European countries. DEE is in charge of the management of business relationships with small-medium sized customers; it is therefore also in charge of the management of the relationships with the intermediaries (VARs, OEMs, distributors) traditionally used by DEC to sell to small (and also medium) sized market; on its part, the Italian branch of DEC is involved in the management of the supply of complex solutions (integrated systems) to large sized customers and it is organized in the previously described industry/niche-oriented commercial structure.

Turning now to IBM, the indirect distribution channel was born with the development of the personal computers, that is a relatively simple hardware product which could find a wide diffusion on the market. Dealers, that is firms that buy the hardware product from IBM to sell it to their customers, constituted the indirect channel.

When dealers’ support was introduced, there was no specific division of labour between the direct sales structure (still organized according to a geographical principle) and the indirect sales channel, so that a strong competition affected them.

In 1986, with the development of minicomputer AS/400 and the passage to an industry/buyer-oriented commercial organization, there was the birth of another indirect channel composed by agents, small software houses producing "horizontal" software solutions and paid by IBM according to the volume of hardware they manage to sell.

The increasing importance of both kind of intermediaries (agents and dealers), due to the increasing range of market connections they started managing, forced IBM to create a Commercial Direction in charge of the management of the relationships with them. This Direction was firstly unique for both channels; then, because of the different nature of the business, it was divided into two different Directions. They are made up by “channel managers” (agent managers and dealer managers), each
responsible for the support, encouragement and handling of interaction relationships with a specific group of agents or dealers, according to the homogeneity of the customer application needs they satisfy or the geographic area in which they operate.

A more precise division of labour between direct and indirect channels was also established. The basic criterion was based on the size of the buyer and the degree of complexity the relationship with it could assume; this criterion lead dealers and agents to manage relationships with small size buyers and IBM, producing and selling complex solutions, to activate and handle interaction relationships with mid-to-large buyers.

This kind of division of labour, however, has not completely solved the problem of competition between the different sales forces: “invasion of fields” and “price wars” between IBM’s direct sales forces and indirect channels still develop calling for more cooperation between them.

Last year IBM introduced the “principle of harmonization”.

In general terms, this principle, which will be further developed, satisfies the firm’s requirements to overcome the traditional bureaucratic rules governing a product-oriented organization, to give origin to a more flexible solution-oriented organization based on an easier cooperation among its internal units for the best customer satisfaction.

In the specific case of the relationships among the commercial operative units, notwithstanding the general tendency to leave indirect channels to operate on small size buyers and on those buyers with whom they have developed long-term interaction relationships and IBM to manage the relationships with middle-large buyers, such a principle introduces a greater flexibility in the division of labour, encouraging cooperative relationships among them.

The principle stating an exclusive attribution of buyers to the commercial units has been remodelled and harmonization prospers in a system of crossed incentives. For example, a dealer can sell to a buyer “assigned” to a DOC giving this last one a percentage on the sale. Moreover the DOC is encouraged to directly manage the
relationships with its customers but to make as much use as possible of indirect channels to distribute the product.

The introduction and the diffusion of the principle of harmonization in the development of the relationships among firm’s operative commercial units is strictly connected to a second fundamental change occurring inside the hardware firm. This change concerns the growing autonomy and entrepreneurship attributed to the internal operative units in charge of the management of interaction relationships with buyers (DOCs and accounts) and with intermediaries (channel managers, in particular, in the case of IBM).

3.2 Autonomy and entrepreneurship of the operative commercial units

In order to effectively develop and maintain long-term interaction relationships with buyers and intermediaries, DOCs and channel managers at IBM, as well as the account managers at DEC, are responsible for the profits and losses deriving from the interaction relationships they are charged of. This responsibility is strictly associated with a higher degree of decision making capacity on how and where to invest to support these relationships.

At IBM, each manager has a budget to autonomously employ in the development of the relationships with the buyers and to activate all the necessary relationships in order to solve customer problems. It decides if and when to make use of an indirect channel of distribution; it decides from whom to apply for a technological and applicative support and, in particular, whether to look for the support of the internal Software and Solution Direction or to ask for a cooperation with a software house associated to IBM or even not associated. In the latter case it is obliged to propose an alliance with the software house (if it values it valid) or even its participation or acquisition.

In the case in which the DOC asks the internal Software and Solution Direction for the development of a new package, it must financially support it in this investment.
The Software and Solution Direction is composed by 300 people; they work in a laboratory in Rome which has already produced ten packages: one package is for insurance companies; one is an advanced CIM solution; the others are ACG, that is packages for small size firms. To the DOCS such packages represent an alternative to the packages of the software houses.

In theory, as an interviewed manager said: “the DOC is also free to develop and sell a solution realized on other than IBM products”. Notwithstanding such a behaviour is obviously not encouraged nor really carried out, it indicates the effort to give origin to a distributed individual entrepreneurship within the firm and to overcome the bureaucratic hierarchical rules.

The degree of entrepreneurship is also shown by the fact that a manager can decide to operate “in loss” for one year in order to invest in the future of the relationships with the buyers; the opposite is also possible: it can decide only “to collect” for one year without making any investments.

Moreover, as previously indicated, the fact that each manager is responsible for the profits it realizes and not according to the volume of sales, as it was before, is an evidence of the growth of its responsibilization and of the decentralization of the corporate power; in this specific case, this may represent a way to overcome the problem of excess of costs previously substained by the managers in order to obtaining high sales.

The profits that each Direction in its complex realizes from the business activity of the DOCS contribute to form the budget it necessitates to support the DOCS (or the channel managers) in their investments. Each Direction has its administrative and personnel structure, as well as a specific marketing structure which provides for the necessary operations of marketing intelligence, portfolio management as well as for a general formulation of the marketing mix policies more adapted to the market of competence. The role of the marketing structure is to support the DOCS in their investments. The DOCS, on their part, provide for the elaboration, formulation and management of specific marketing mix policies for and with the specific buyers.
Moreover such a marketing structure provide for the elaboration of short-term plans giving investments provisions and profit and loss expectations from the development of old and new relationships. Hence, planning has shifted from a top-down to a bottom-up process.

Until 1985, IBM realized at a central level long-term plans finalized to define the volumes of sale and the marketing strategy. These plans became objectives for the Commercial Directions. With the creation of an industry-oriented commercial structure in 1985, marketing intelligence operations were firstly delegated to the Commercial Directions and now each of these develops its own short-term profit and loss plan, based on the plans presented by the DOCs. Plans are transmitted to a Central Planning Direction which, making "a sum" of them, only verify if they are coherent with the general plan of the business enterprise. If not, it asks the Directions for some adaptations. In these terms planning develops as an interactive process. Its approval at an international level let each Director and, at a lower level, each DOC to translate its own plan into objectives.

Similarly, at DEC the account managers are profit centres responsible for the profits and losses on their customers. To solve specific customer’s needs and expectations, they are free to activate business relationships both with internal operators (generally belonging to the Service/Product Direction, which is in contact with the R&D centre of the firm) and with external operators giving, each time origin to the more appropriate team working for the customer satisfaction.

The account managers are also responsible for the management of the relationships with the software houses which have a CSH - Cooperative Software House - contract (the CSH contract formalizes a long-term technological and commercial cooperation between DEC and software houses) with DEC and operate in the same industrial sector. Moreover, even at DEC, each single commercial manager (the account) has a growing important role in the planning process as it prepares its own profit and loss plan which represents a very important input for the central planning and marketing
structure. Until 1991, this last one took into account almost exclusively marketing analysis and profits and losses expectations elaborated by the top level.

4. Marketing management implications

The innovative processes which are affecting the commercial organization of the IT producers may be considered part of a deeper restructuration which is occurring inside the business enterprise. This deeper restructuration is a reaction to the ineffectiveness of the business enterprise as a centre-to-periphery bureaucratic hierarchical organization, which operates under the assumption of a controllable dynamic environment.

This assumption dominates in the prevailing literature on business strategy which also attributes to the top management the task of controlling and co-ordinating the peripheral operative units and to formulate an overall marketing strategy for them.

But looking at the empirical evidence of the IT industry, the increasing autonomy and entrepreneurship of the operative commercial units as well as the IBM principle of harmonization, represent the first basic steps to overcome the hierarchical bureaucratic structure and rules and to transform the business enterprise in a multi-centre organization where decision making power is distributed and not centralized.

Business enterprise’s effectiveness depends on its capacity of relating to the context, which is composed by other autonomous active actors inter-connected through exchange relationships.

The business enterprise basis its effectiveness on its capacity to develop and handle dynamic exchange relationships with these actors and, more generally, with its context (Hakansson-Snehota, 1989).

The business enterprise must grow and maintain its advantage towards the competitors not only by keeping account of the behaviour and the distinctive capabilities of the actors of its “system of value”, but also implementing the dynamics that take place in these subjects by interacting with them. In these terms, the business enterprise must modify its way of competing by using new instruments...
and, in particular, by activating a set of interaction relationships with the autonomous and innovative actors forming its system of value, including buyers. Firm’s performance therefore depends more on its cooperativeness than on its competitiveness and the business enterprise “rather than being primarily a locus of production of goods and services, appears as a nexus of market exchange relationships, creating value by connecting previously unrelated actors” (Snehota, 1991). But the value is not the static result following to the existence of the connection but the dynamic result of the development of the interaction relationship which influences the future of the whole interaction strategy of the firm.

The necessity to handle numerous different relationships with dynamic and active actors, all reinforcing each other, is correlated to the necessity to have an internal structure permitting the best management of such interactions. Organizational changes which have been introduced, tending to reinforce the operative units which really manage the interaction relationships, are the response to the objective to collect and develop the major opportunities deriving from the dynamic interaction with the external actors. In this sense, they represent the precondition and the element conditioning the interaction development itself as well as the entire interaction strategy. In these terms, the structure of the business enterprise represents an essential premise for the development of its strategy (Benassi, 1990).

Such a consideration differs from what is generally assumed by many models stating that the competitive environment and the strategic position that the firm is aiming to attain define different structure exigences (for example, different needs of integration between marketing and R&D structures) (Gupta A.K.-Ray S.P.Wilemon D., 1986). If the strategy of the business enterprise is an interaction strategy, aiming to maintain and develop a position in a context composed of a network of interconnected interactions, a position and a network not definable “a priori” as they both evolve as a result of the development of the interactions, the way by which the firm organizes its relating to the context, safeguarding the need to handle different interaction
relationships, represents a fundamental presupposition for the business strategy development and business enterprise’s effectiveness.

Organizational changes taking place inside the business enterprise and transforming it from an hierarchical to a multi-centre organization, must be interpreted in these terms.

Focusing on a specific category of market relationships, that is those with the buyers, I have shown that the commercial operative structures have assumed a higher degree of autonomy and decision making power, designing the business enterprise as an organization founded on individual autonomous commercial entrepreneurial units.

Looking at the chart, the commercial units are no more directed and controlled by a Central Direction which receives market operative goals by a top level structure which, after an analysis of the market, composed by anonymous buyers, plans its specific courses of action to reach these goals and send them to the operative units.

Such a firm configuration characterizes most of traditional strategic marketing management models (fig. 1).

Organizational development in the IT business enterprise shows that the commercial operative units tend to become autonomous actors, developing and handling long lasting relationships with specific active buyers whose they are responsible and also activating a set of other relationships to perform better in the first ones (fig. 2).

Commercial unit A (or, better, Al) can ask for a cooperation with an R&D unit of the firm and also call for the support of an external software house or a consulting group and then activate an indirect channel for distributing the product. In these terms, each internal commercial organization becomes involved in a specific net of connected interactions, developing, according to the nature and to the evolving of these relationships, its own strategy and building its own identity.

It could be observed that, once they have reached their own decisional and operative autonomy and they have built their own net of relationships, the commercial operative units qualify themselves as a kind of customers for the top management as the intermediaries and the buyers are. Such a new kind of customers has its own
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specific characteristics and competence evolution, in connection to the relationships they manage; at the same time they are integrated in the producer firm and they are evaluated and supported by the top level according to the profits they realize and the customer satisfaction (or channel satisfaction) they originate. They are in a position of complementarity both towards the producer and towards the buyer.

Even if it manages the power to address investments and distribute resources, the top management of the producer firm can no longer rely on a central market intelligence and marketing planning structure with the role of developing and controlling the decisions and the implementations of an overall market strategy, defining how the commercial units must reach firm’s goals and which these goals are. As a result of the interactions it has activated and it is involved in, each unit now develops its own goals and courses of action.

But the fact that each of these entrepreneurial units, handling its own net of relationships and evolving according its own individual specific history, builds its own specific identity, suggests a critical problem of how the identity and the cohesion of the business enterprise can be preserved. In fact, the boundaries of the firm changes, defining a new softer border between the top level and the commercial units.

The maintaining of the business enterprise’s cohesion demands that to the explosion of individualism and to the decentralized acting and deciding correspond a communication among the individual units constituting the whole business enterprise. Communication does not simply mean the transmission and exchange of information. It rather means community of behaviour, that is the diffusion of a common culture, language, a common way of thinking, interpreting, interacting, in the respect of the business enterprise’s objectives of homogeneous innovative growth and economic efficiency.

Thus, the communication among the internal units implies the diffusion of homogeneous rules of behaviour so that, if central planning plays a role, it can no more be the evaluation of alternative courses of action and the specification of long-
term goals, but the diffusion of these rules. As some authors have observed, business enterprise develops from a focal-driven organization to a norm-driven organization (Achrol, 1991).

In such a situation, network concept of marketing management develops concerning not only business enterprise’s handling of a network of interaction relationships in the market. Once the business enterprise is composed by many autonomous organizations handling their own net of relationships and developing their own identity, marketing management also concerns the promotion of the cohesion among these internal organizations, as well as an appropriate activation of relationships among them.

Exchange relationships among internal units are required for a better diffusion of the results deriving from the different interaction experiences and to avoid economic inefficiencies such as duplication of research investments and market efforts due to the inadequate knowledge of reciprocal experiences. An excessive promotion of exchange relationships among internal units could, however, be an obstacle to the business enterprise’s market success. In fact, if the cooperativeness of the business enterprise depends on the autonomous acting and deciding of the new entrepreneurial units, a strong promotion of the interaction relationships among them could limit their ability to build relationships with market actors and the advantages that these imply.

The study of which “factors of organizing” can be used in order to promote cohesion and activate appropriate interaction relationships among he internal units represents a next step of research. Empirical analysis shows that IT firms are still experimenting and looking for these “instruments” with different results. Job rotation, for example, which is intensively used at DEC, has created problems at IBM. A high degree of job rotation, in fact, may cause a reduction of the sense of responsibility towards the buyers and an insufficient time to exactly know the characteristics and the problems related to the specific relationship with them. “Temporary intermediaries” with the task to promote communication and to activate relationships are employed both at
IBM and at DEC. They respond to the necessity to solve communication problems among two or more specific units.

As the communication problems and the nature of the relationship between two specific operative decisional units, A and B, for example, can be different compared to A and C (because the net of relationships they are involved in can differently impact on the relationships among them), different instruments and different intermediaries can be required. A problem consequently arise if, in the process of internal network development of the business enterprise, marketing management, in its role of promoting cohesion and supporting relationships, can be identified in a specific structure of the business enterprise or if it must be considered a diffused function inside the firm.

I have not yet sufficient evidence to evaluate if and when one solution prevails on the other. Certainly the identification of the marketing management role in a specific structure of the firm means the development of a unit no longer directing and controlling the activities of the operative units but promoting communication, cohesion and interaction among them. The firm’s unit should present itself as a connector between the operative commercial units, looking for their own specific objectives, and the top management, looking for business enterprise’s objectives of economic growth and efficiency.
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