

Managerial perceptions of service-infused IORs in China & India: A discursive view of value co-creation

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Abstract

This paper explores the managerial challenges facing firms seeking to build relationships with other network actors while doing business in foreign markets. By taking a critical perspective on an area of increasing importance in both manufacturing and service sectors, that of value co-creation, the paper explores how managers in different cultural contexts make sense of the notion of 'value' in inter-organizational B2B relationships between New Zealand service and service-infused supplier firms and buyers in China and India. From an analysis of the interview-based accounts on both sides of the buyer-seller dyad marked differences emerge regarding value-creation within managers' discourse around partnerships, collaboration and cooperation. Our findings suggest that the Indian manager's discursive use of 'partnership' draws on service-dominant logic in viewing this type of interaction as a means for co-creating value; they and their New Zealand suppliers are jointly involved in co-creating value within a service system, creating value-in-use. In contrast, the predominant perspective seen in the discourse of Chinese managers is the use of cooperation as a means of making transactions more cost-effective, or to fill gaps in their supply chains, resulting in the creation of transaction-based, co-production of value, which suggests a value-in-exchange orientation. In both cases, there is repeated reference to more peripheral actors whose efforts result in what we interpret as network value creation, based on their interactions with actors within the buyer-seller dyad.

Key words: value, co-creation, service, inter-organizational relationships, network, discourse, New Zealand, India, China

1. Introduction

This paper explores some of the managerial challenges facing firms seeking to build relationships with other network actors to facilitate doing business in China and India. We adopt a critical perspective on an area of increasing importance in both manufacturing and service sectors, that of value co-creation. Specifically, the paper illustrates how managers in different cultural contexts make sense of the notion of ‘value’ in relationships, in particular, the nature of inter-organizational relationships (IORs) between New Zealand (NZ) service and service-infused firms engaging in business in China and India. We address the manner in which ‘value’ is perceived and discussed by both sides of the buyer-seller dyad (Anderson, Håkansson & Johanson, 1994). We also consider the influence of other network actors on IORs by exploring the scope, as well as the nature, of interactions between NZ managers and their Indian and Chinese counterparts. We emphasize both service and value in these relationships (Ford & Mouzas, 2013), as well as the context of SMEs (small and medium-sized enterprises) (Kowalkowski, Witell & Gustafsson, 2013). Moreover, we examine how differing discourses associated with IORs relate to different approaches to value creation in a cross-cultural context.

Though Singh and Koshy (2011) claim that value creation in business relationships is an important topic in the literature, little attention has been paid to the nature of value creation in a business-to-business (B2B) context; especially in the case of cross-border IORs involving emerging markets. However, our review of the literature reveals that considerable attention *has* been devoted to B2B value creation and this is most noticeable within the Industrial Marketing and Purchasing (IMP) Group of scholars, albeit largely at a conceptual level. Through an in-depth empirical study, we intend to build on this literature. Thus, our overarching research question, from a discourse analytic perspective, is how do SME managers in different cultural contexts appear to construct value within IORs, and how do these constructions influence the manner in which they do business?

In addressing this question, particular attention is paid to managers’ discourse regarding partnerships, collaboration, and cooperation and what this discourse reveals about perceptions of value creation. We follow Moller (2006) in applying ‘value co-creation logic’, and adopt the IMP

Group view that both supplier and buyer competencies are necessary for value to be created. We further align with Moller (2006, p. 914) in acknowledging that “there is a clear need for research that explores inter-organizational collaboration in value-production where the traditional roles of suppliers and customers are becoming more complex and intertwined...” We focus on value (co)-creation because the concept offers considerable opportunity for researchers to better understand the different perceptions of value from IORs spanning developed and developing markets. It also provides an appropriate lens for examining how value is created in a B2B context involving service and service-infused firms.

This approach is supported by our initial analysis of interviews with managers representing organizations from NZ, China and India. In the following example, note how the speaker discursively constructed claims of value co-creation, thereby framing the value proposition through relational enactment and interaction.

“We set up a joint venture with XXX because we wanted to be with them in the future. They’ve got a great product and they keep at the leading edge, and we can help provide the volume to the clients...”

Participant 12 (see Table 1)

2. Service-infusion and Emerging Markets

The importance of services and service-infused products is increasingly recognized in the literature, where a service dominant logic (SDL) (Vargo and Lusch, 2008) is paramount. In the case of NZ, although primary products still dominate its trade portfolios in China and India, there has been a shift to incorporate more trade in the secondary and tertiary sectors, where the focus is on knowledge- and service-infused industries; both of which are dominated by SMEs. Product-focused interaction remains important, but services tend to dominate most developed global economies (Henneberg, Gruber & Naude, 2013). Services tend to attract considerably higher economic returns than traditional primary products and are far less vulnerable to global commodity trading swings. Increasingly, ‘service infusion’ into traditional manufacturing processes and products enables firms to expand their range of services and become more service-oriented (Kowalkowski et al., 2013). We refer to these

firms as ‘service-infused’ SMEs – firms whose offerings are not pure services, but that have a high level of services embedded with their physical ‘product’.

This trend towards service-infusion is evident among SMEs in NZ, particularly those focused on internationalizing and establishing business exchange relationships as suppliers to foreign customers. Because SMEs tend to lack the necessary resources and experience to engage in business in foreign markets alone, establishing and cultivating inter-organizational relationships (IORs) with various actors in those markets becomes especially important. There is a growing body of research which shows that the approaches to business and business models, including supplier-buyer relationships, used in traditional markets may not work in emerging markets (Gao, 2013). Because of the differences in the business environments of these countries, managers must adapt their business practices, or even implement new business models, relevant to the market conditions (Crick, 2007; Peng, Wang & Jiang, 2008). Thus managers often seek to create value by mobilizing network resources through IORs that extend beyond the focal buyer-seller dyad, resulting in the co-creation of value at the network level.

3. Value Co-creation and Service-Dominant Logic

Value Co-creation in B2B Networks

Value co-creation has recently emerged as a new frontier and an innovative conceptualization in marketing theory (Grönroos, 2012; Lusch & Webster Jr., 2011). Value-co-creation involving suppliers and buyers is evident in B2B marketing (Enz & Lambert, 2012; Lambert & Enz, 2012) and, in particular, B2B services marketing contexts (e.g. see special issue of *Industrial Marketing Management*, 42(1) (2013)). Notwithstanding the research attention given to this topic, however, Grönroos and Voima (2013) argue that the roles played by service providers and customers, as well as the nature of their interactions, remain analytically unspecified.

Shifting the focus from a firm-centric to a collaboration perspective (Grönroos, 2011; Payne, Storbacka & Frow, 2008; Wikstrom, 1996), the value co-creation paradigm suggests that both buyers and sellers work together to create value (Prahalad & Ramaswamy, 2004; Saarijärvi, 2012). Haas, Snehota and Corsaro (2012, p.94) argue that any conceptualization of value creation in inter-firm

relationships must “reflect the nature and characteristics of the interaction process in which relationship value is created”. They propose four “intertwined facets” (Haas et al., 2012, p.95) of B2B value-creating processes: (i) jointness, where value is produced when the resources of the supplier and the customer are linked; (ii) balanced initiative, where both parties have the requisite resources and competences, and both may initiate the production of value; (iii) interacted value, in which interactions produce emergent, non-anticipated value solutions; and (iv) socio-cognitive construction, where any value is dependent on the social and cognitive processes involved in producing this value. This final facet raises the question whether all customers do view themselves as co-creating value, despite the SDL premise that ‘the customer is always a co-creator of value’ (Vargo and Lusch, 2008). What if beneficiaries perceive themselves to be simply the receiver of the supplier’s offering under a more exchange value oriented (typically goods-dominant) logic, and moreover, is perfectly happy to do so?

Haas et al. (2012) assert that the notion of jointness of value is captured in the SDL and service marketing research, where the value of relationships is expressed as ‘value-in-use’ for the entity that typically benefits the most - the customer (Grönroos, 2008). The balanced view of value co-creation recognizes that some involvement from the customer, and not just the supplier, is typically a necessary condition for providing value solutions in inter-firm relationships. Interaction is felt to be the major means by which firms more or less continuously relate and combine each other’s activities and resources, as has long been espoused by the IMP Group (Hakansson et al., 2009). This view, interestingly, is closely reflected in SDL’s conceptualization of value co-creation, where value is the outcome of relational enactments and interaction between the providers and receivers of an offering (Chandler and Vargo, 2011). Moreover, under an SDL perspective, we find scholars asserting that buyers and sellers are participants in interactive communication processes where solutions emerge through a mutually-constructed dialogue (Ballantyne, Frow, Varey & Payne, 2010). This suggests it may important for researchers of value creation to understand how the meaning of a value proposition is constructed in interactions between network actors. For instance, does the discourse of participants reveal the degree to which they may want to embrace a co-creational SDL perspective in their relationships?

Constructions of Value Creation

In the context of B2B markets, not all constructions of value are of value co-creation; rather, value creation can be constructed in different ways by different participants, and may not involve the extent of buyer-seller interaction espoused by Haas et al. (2012). These other forms of value creation include: (i) co-production of value, where the customer is involved in the production process, or is a key participant in service provision (Bendapudi & Leone, 2003; Grönroos, 1998; 2006; Wikström, 1996); (ii) value facilitation, where service organizations create opportunities to engage with their customers' value-generating processes (Grönroos, 2008); and (iii) transaction-based value, i.e. value-in-exchange, which is the more firm-centered, traditional, transactional perspective, where value is created by the firm (seller) and the value proposition is either accepted or declined by customers (Prahalad & Ramaswamy, 2004).

Moller (2006) examines the competencies needed for different types of value creation for customers and suppliers, and relates these to a conceptual framework of 'B2B marketing types' based on each party's value-creating strategies. He notes how the concept of value has been disaggregated by Henneberg, Pardo, Mouzas and Naudé (2005) into three levels: (i) exchange value, based on the supplier developing an offering through their own activities which is then consumed by the buyer; (ii) relational value, where value is conceived through the relationship, such as joint NPD or improvement of business processes; and (iii) proprietary value, where value is 'manufactured' by a firm entirely for its own benefit; for instance, by enhancing productivity but not passing this on to the customer. Under the second of these levels, the co-creation of value can vary from within the buyer-supplier dyad to value sought via the network relationships of either party (Moller and Torronen, 2003). Moller (2006) explains that positions on a spectrum representing core value, value-added and future-oriented value strategies can be taken by either supplier or customer in relation to one another, thereby arriving at a set of 'basic value strategies' for B2B marketing. Some of these strategies are buyer-driven, some supplier-driven, and others balanced.

A Network View of Value Co-creation

Value co-creation research has tended to centre on the supplier-to-customer relationship at the dyadic organizational level (Grönroos, 2008). Recent work, however, has noted the importance of value co-creation among more widely dispersed actors. For example, Vargo et al. (2008, p. 148) augment perspectives on customer-supplier interaction by including additional actors as value co-creators: “value is co-created through the combined efforts of firms, employees, customers, stockholders, government agencies and other entities related to a given exchange, but it is always determined by the beneficiary (e.g., customer)”. In positing the ‘service network’ concept, Henneberg et al. (2013) argue that simple service provider-buyer dyads do not reflect the true complexity of many service relationships. Moller and Torronen (2003) also explore value creation in a network context, but do so in a manner not especially indebted to SDL. They draw on the work of previous studies of business marketing, including those by Walter and Gemunden (2001) and Ford, McDowell and Tomkins (1996), to categorize types of supplier value. Moller and Torronen (2003, p.111, italics added) argue that the complexity of the impact (for instance on the relationship or on the entire network) of major value developments suggests buying managers “should define very carefully the type of value that they want *from or with* a specific supplier”. Note how ‘from’ suggests the option of a more exchange value view than the co-creational view indicated by ‘with’.

Adopting an IMP perspective of SDL, Ford (2011) unpicks the concepts of ‘service’ and ‘value’ and suggests that our understanding of the identity and characteristics of the business actor in an interacted business landscape, as well as the nature of value itself, require further development. He states “Resource heterogeneity, activity interdependence and the jointness of actors in significant relationships make it difficult to draw a clear line between the inside of a company, which it supposedly controls and an outside ‘environment’ which it does not” (p. 238). Extending this view, Leroy, Cova and Salle (2013) remind us that researchers need to ‘zoom in and out’ in their choice of, respectively, micro and macro lenses for studying organizational phenomena (Nicolini, 2009). Zooming out is an approach advocated by Vargo and Lusch (2008) to achieve the most comprehensive view of marketing theory possible, as illustrated in the SDL approach. However, there is a risk involved in research dominated by an “abstract” zooming out perspective, in that one may

“lose touch with the everyday practices of firms” (Leroy et al., 2013, p.1). Thus, although zooming out may allow researchers to “see the big picture”, they can “miss some subtleties and nuances” (Kanter, 2011, p.112). With this in mind, one reason that we presently adopt an IMP perspective on B2B marketing is that this group of scholars is not “locked into a zoom-out position” (Leroy et al., 2013, p.3). This flexibility enables changing the scale of our observations by exploring marketing practices at the organizational (or meso-social) level and at the level of the individual actors that must attempt to make sense of their interactions in industrial networks. This is important if we are to better understand “the embedded, contextual nature of value”, as acknowledged by Chandler and Vargo (2011, p.36).

The need for such methodological relativism is further shown by Leroy et al. (2013, p.4) who provide a useful overview of the way in which the marketing literature has approached the notion of value co-creation. They conducted a meta-analysis of the level of observation used in a number of special issues of academic journals (including *IMM*). The largest proportion of studies identified in this analysis adopt a meso (e.g. organizational actor) level of observation, and the smallest an individual level. Moreover, only one (of the two latter studies identified within the total sample of 31 papers) takes a qualitative approach. As Leroy et al. (2013, p.8) note; this pattern reflects the fact that Vargo and Lusch’s SDL-based view of value is “anchored in the meso level of observation and, despite encompassing the individual and micro levels, neglects to integrate them or really even take them into account”. Furthermore, in defining an ecosystem, Vargo and Lusch “ignore the different levels of observation in reference to... language and symbols, as well as spatial and temporal structures” (ibid). This suggests that there is a need for further zooming in studies that can help to unpack the nuances and contexts of value co-creation in business markets.

In this vein, Moller and Svahn (2004) bring a nuanced dimension to value in industrial network research by examining knowledge-sharing in intercultural contexts. They note how globalization is encouraging firms to form partnerships across very diverse national or ethnic cultural backgrounds, and ponder the significance of these differences for the sharing of knowledge -- something they argue to be critical for a network’s actor to be able to utilize the resources and capabilities of its members. Moller and Svahn (2004, p.220) focus on what they term ‘strategic nets’, i.e. “intentionally formed

networks that contain at least three parties”. They assert that “essential to any strategic net is the underlying system through which it produces value” (ibid). Within a ‘value creating system’, value creation is founded on the knowledge actors have of other actors, and how this knowledge can be combined (Parolini, 1999). For Moller and Svahn (2004), knowledge sharing is strongly influenced by how well known and clearly specified the value activities and capabilities of the actors are in any value system. In dynamic strategic nets, actors face challenges in trying to make sense (Weick, 1995) of any emerging opportunities, influencing agendas and co-creating knowledge through exploration. While culture can influence how network actors make sense of, and behave in, cross-cultural business relationships, it is decidedly a complex phenomenon. To plot their way through the likely role of culture on organizational practices, particularly communication, Moller and Svahn (2004) draw on the work of Hofstede (2001), Bhagat, Harveston and Triandis (2002) and Triandis (1995). Based mainly around the dimension of individualism vs. collectivism, the work of these scholars is combined into a matrix of ‘cultural patterns’ by which they classify certain countries.

While this is an interesting contribution, especially at the meso and macro levels, there are some limitations to Moller and Svahn’s (2004) discussion. Perhaps most notably from the perspective of the present study’s contexts, they position both China and India as exemplars of ‘vertical-collectivism’. The industry examples drawn upon in their subsequent discussions are almost all based on European and North American firms trading in China and Japan (seen as ‘horizontal-collectivist’), probably reflecting the fact that secondary data regarding case studies in these contexts are readily available. This allows Moller and Svahn (2004) to draw some seemingly appropriate theoretical conclusions regarding the construction of strategic nets, but at the expense of any focus beyond the broad categorizations suggested by Hofstede and followers. Moreover, they neglect any detailed exploration of countries such as India in their discussion, thereby not entertaining the possibility that Indian cultural practices might be different to those found in China. Although they are at pains to acknowledge the complexity of cultures, Moller and Svahn’s (2004) approach may be limited by not zooming in as much as we would like. This is a limitation of much of Moller’s important contributions to our understanding of value creation in networks: in striving (quite understandably) for

theoretical resonance, it could be argued that his writings on value are predominately conceptually-based and tend to take a rather abstract zooming out perspective.

We should also not forget there can be a political dimension to the phenomenon of value co-creation, including socio-economic differences across national borders, highlighting a need to explore the different interests of actors in relation to the processes involved in value creation within industrial networks (Baraldi and Strömsten, 2006). There is, therefore, legitimacy in taking an epistemological approach that seeks to interpret locally occurring interpretations, rather than to produce law-like models that discount the complexity of the business environment and the context in which decisions are made.

4. Research Methodology

In looking at cross-cultural IORs, the use of language and the linguistic constructions of actors in shaping market relationships has led to the use of discourse analysis as an approach that remains sensitive to potential cultural differences (Musson, Cohen & Tietze, 2007), since actors involved in these interactions are accustomed to different cultures, terminologies and business philosophies (Vlaar, Van den Bosch & Volberda, 2006). Hagberg (2010, p.73) argues that, while SDL stresses an evolution from a goods dominant logic to another (that of services), thereby seeking to identify unifying principles, scholars should resist this move by applying more “sensitivity to diversity and multiplicity by attending to situated practices”. Given that language use by managers is just such a situated practice, we share the view of Ellis, Lowe and Purchase (2006) that greater linguistic sensitivity and the adoption of a social constructionist conceptualization of culture are required in the study of strategic nets. In order to address these issues, in the current paper, discourse analysis is advanced as a zooming in methodological approach. In taking a discursive view of service-based IORs, we are better able to ‘unpack’ the ways in which actors legitimize their roles and claim to create value.

This paper utilizes data gathered from interviews with participants involved in IORs between NZ organizations and their trading partners in China and India. In support of an inherent IMP *raison d’être*, the goal is to “try and understand the patterns of meanings and the beliefs which guide

managers in their interactions with others in the increasingly complex network in which they operate” (Turnbull, Ford & Cunningham 1996, p. 59).

The choice of case organizations for our study gives us an opportunity to compare a total of 19 dyads between NZ managers and their respective Chinese and Indian counterparts; two sets of IORs represent ‘triads’, where a NZ firm has relationships with buyers in both China and India. This case selection strategy allows us to search for similarities and differences in how IORs are perceived by participants who are based in these three contrasting countries, yet working in the same service-based contexts. The total number of organizations involved was 34 – see Table 1. The four representative offices shown in Table 1 are managed by local managerial staff (Chinese and/or Indian), and thus are included on the basis of projecting ‘local’ perspectives.

-----INSERT TABLE 1 HERE -----

Semi-structured interviews with Indian participants took place in Delhi, Mumbai, Bangalore, Pune, Cochin, Chennai and Kolkata, while interviews with Chinese participants took place in Beijing, Shanghai, Guangzhou, Wuhan, Hohhot, Xian and Kunming; all during 2009 and 2010. We spoke to individuals representing organizations in sectors including IT/software, management consulting, specialized machinery servicing, engineering, tourism and education.

The interviews were conducted in English, lasted between 60 and 90 minutes, and were recorded on audio and video media and subsequently transcribed. Managers were asked open questions concerning their roles, their organizations, their business relationships with their NZ suppliers or Indian/Chinese customers, and general views on doing business in China or India. Questions included initial scene-setting: ‘Tell us about the sector(s) in which your organization operates’, subsequently addressing more specific issues like, ‘How did you first become involved with [the NZ firm]’, ‘What role(s) do you/your firm perform in this relationship’; as well as, ‘How would you describe the relationships between your organization and your NZ partner?’.

Initial analysis was undertaken in relation to the literature on industrial networks and internationalization. Building from this initial analysis, we then took a critical discourse analytic

approach towards issues such as value and value creation by network participants. These steps were facilitated by NVivo software, which allowed for a high degree of transparency and levels of agreement as each researcher coded the data. Consistent coding of text to discursive ‘nodes’ was guided by a protocol based, in part, on the scholarly literature, but also on the *emic* responses of managers (cf. Ellis & Hopkinson, 2010).

This analytical approach resonates with the research paradigms advocated in several insightful contemporary qualitative studies of industrial networks, internationalization and strategies in emerging markets. For instance: Haas, Snehota and Corsaro (2012) explore value-creating process in business relationships and, by embracing notions of sensemaking in marketing contexts (Storbacka & Nenonen, 2011), identify the importance of socio-cognitive constructions in these processes. In addition, Lamb, Sandberg and Liesch (2011) apply ‘phenomenography’ to small firm internationalization, to capture variations in owner-managers’ understandings and practices. Hoskisson, Eden, Lau & Wright (2000) discuss different theoretical perspectives and methodological challenges in doing research in emerging economies.

5. Findings & Interpretations

We have sought to ensure that our analytical claims are reliable and valid because they are derived from a systematic, logical and evidence-based process. This involves showing how the interpretations of individual segments of talk, as well as overall claims, are grounded in the data – hence the emphasis on illustrating excerpts of stretches of talk (Wood & Kroger, 2000).

From our inductive analysis, we identify a number of discursive themes that relate specifically to value creation and value co-creation. While discursive claims of ‘partner’ status can position actors in relation to each other and thus, ultimately, shape inter-organizational collaborations (Maguire, Phillips & Hardy, 2001), the literature on market-based relations between firms is sparse on the ways in which individual actors make sense of the relation, of themselves and of others (Ellis & Ybema, 2010). To explore this sense-making in relation to value creation in relationships, we next illustrate seven forms of discursive construction that were enacted by our interviewees. In our analysis, we seek

to develop an understanding of the variety of discourses that were used by managers, with a view to highlighting any apparent differences in sense-making across the three countries.

Construction 1: Network creation of value: the role of government institutions

It appears that NZ host institutions (especially government agencies) work ‘closely’ with firms to help them co-create value with their customers in the Indian and Chinese markets. For example, NZ managers highlight the important role that they perceive the NZ Ambassador and High Commission to play in China. In particular, they acknowledge the value of this high-level representation to key clients, as well as the facilitation of meetings with Chinese government and business personnel. This is shown in the following quote where a discourse of physical presence (‘to the Ambassador’s house’, ‘to actually have’) is drawn upon to suggest the degree of co-operation between network actors. Terms such as ‘important’ and ‘valuable’ construct a sense of real significance for these ‘Ambassadorial’ actions.

“So yes, he [NZ representative in China] worked quite closely with the Ambassador and Trade Commissioner up there... In China, it's important to take clients to the Ambassador's house or to the Embassy... It's valuable for us to actually have the Ambassador or someone come through as an official visit.” D

Creating the opportunity to meet key people in China and providing support for managers in their early investigations of the market are noted as particular strengths of New Zealand Trade and Enterprise (NZTE). This manager (quoted below) positions NZTE in an extremely positive manner, utilizing evaluative words such as ‘fantastic’, ‘right’ and ‘really, really good’ to describe their activities (‘job’, ‘work’). The longitudinal nature of the IORs this agency has apparently ‘created’ is also evoked. It thus seems that these non-trading network actors perform a type of tangential facilitation (Grönroos, 2008) role in the value-creation process.

“NZTE did a fantastic job for us in China. Got us in front of the right people, and the contacts and relationships that NZTE created in the early days still exist today. A really, really good piece of work by them.” E

Construction 2: The role of agents and distributors in network value co-creation

Many participants highlight the critical role that local intermediaries or representatives are thought to play in developing business in China and India. Agents and distributors are perceived to act as brokers within a larger network, with the ability to facilitate the co-creation of value between the NZ supplier and its customer. Sometimes, the agent or distributor themselves are party to the co-creation of value with the NZ company. For example, intermediaries can play an invaluable role in establishing relationships with end customers and tapping into important networks, including government officials or regulatory bodies – without which, business could not occur. They also appear to help in maintaining the position of the supplier-customer relationships within the existing network.

Agents and distributors appear to occupy strategic network positions in many cases. Both they and the NZ managers they represent assert the importance of attributes such as trustworthiness, and the need for time-poor customers ('clients') to rely on the intermediary's skills in evaluating potential suppliers. Here, an Indian intermediary draws upon a discourse of 'trust' to claim that his organization ('us') is able to add value through its key position in the network and, indeed, clearly defines this role for his firm ('that's our job').

The clients generally trust us, and the client will not usually go directly to a New Zealand company. They want somebody to act as a licensing agent. They don't have the time to define who's good amongst the suppliers – that's our job. 11

The value-adding potential of intermediaries is also constructed from the perspective of suppliers. Note how this Indian manager utilizes a discourse of choice ('looking', 'extremely selective') to highlight the importance for sellers of 'selecting' the 'right' partner. This results in a network position ('only two... and one of those is us') that he is proud to proclaim, especially given the relative power of the NZ firms that this discourse constructs.

... so they [the NZ company] are looking for people who can sell their products, like a distributor network. And they have been extremely selective, you know, in picking people to represent them. They have, I think, only two people in Mumbai because of that, and one of those is us. 14

NZ managers echoed this perspective regarding the ideal network position of their agents in terms of making connections. The quote below illustrates this by listing several Indian actors and the

broader ‘environment/industry’, all of which the intermediary (‘local person’) must ‘know’. By discursively constructing knowledge as a resource, value appears to be added as the agent assimilates (or ‘pulls together’) this knowledge.

The local person knows the people, knows the landlords, knows the local environment, knows how to drive the business and they know the industry. Then they pull it all together. P

Construction 3: Having a presence in the market – a transactional value construction

NZ managers indicate that they tend to take a pragmatic view of the reasons for having a presence in both China and India. Fundamentally, the rationale related more to that of value co-production by ensuring visibility and providing readily accessible services and information, rather than of value co-creation. Although not a substitute for maintaining a presence in the market, such as a representative office, NZ managers stressed the importance of regular visits in order to facilitate market research as well as reinforce relationships with customers or agents.

Maintaining visibility in the market by regular face-to-face meetings is particularly important in India, they suggested. This is because such interactions help to embed the firm in networks that, despite the country’s vast size, are perceived to be extremely (‘amazing’, ‘staggering’) well connected due to the fast-moving (‘well oiled’) local communication processes (the ‘bush telegraph’ metaphor). *It’s an amazing word-of-mouth market. For a country of a billion people the bush telegraph is extremely well oiled. I mean it is just staggering to me as to how fast people know about what things are happening. E*

For many services, such as training, NZ managers claim there is a need for face-to-face delivery to ensure appropriate quality. This usually requires a supplier’s employee (‘our own people’) to be based in the market. Although such moves reflect a greater level of interaction than simply ‘shrink wrapping it on a CD’, the construction of otherness (‘over there’), the apparent ownership of the ‘people’, and the use of a discourse of control (‘we do need to have some NZ style in the delivery’) by this speaker suggest a perspective that is some way short of co-creation.

“We plan to put our own people over there. One of the things we looked at for the training was to say, ‘Well can we shrink wrap it and put it on a CD and send it overseas and say, okay, well you’ve

bought it, now you deliver it?’ And the answer is no, that’s not actually the way it works - we do need to have some New Zealand style in the delivery.” L

Similarly, as illustrated below, neither the Chinese nor Indian participants construe the meaning of a ‘presence in the market’ as implying value co-creation. However, in the case of India, we will see later that value co-creation is most evident when the local presence is taken to a higher level of commitment, when Indian managers perceive the relationship as a trusting partnership.

Chinese firms that source inputs from NZ (services, components) often perceive an opportunity to create value by having the NZ suppliers located in the market. For example, a finished goods manufacturer in China suggests that their costs could be reduced if the NZ supplier would locate its production there. This is a good example of transaction-based value creation, where the value primarily accrues to the principal (Chinese customer) in a principal-agent relationship through enforced adjustments made by the agent (the NZ company). Note how the speaker applies discursive pressure (through the modality of ‘should’) by using comparative national examples, and drawing on a discourse of cost-based competition by stressing the ‘competitive’ nature of ‘other foreign companies’.

“So many of the competitors to XXX [NZ company], the European and Japanese companies, are establishing their manufacturing in China to be more competitive for the Chinese. And they are bringing production into the Chinese market to be more competitive on price. They [NZ company] should bring manufacture facilities; they can still do design in New Zealand. But all the other foreign companies they just try to manufacture local.” 4

Participants in India claim that, with many ‘differences’ between NZ and India, they prefer to have regular and easy access (being ‘more available’) to their supplier firms. For them, having a local presence (‘here’) appears to symbolize commitment on the part of the NZ firm in order to address a range of issues, something that this manager constructs as ‘very important’.

“One of the ways you can look at it is like this - if you are here, you become more available, which is very important. Let’s face it, India’s a different country, different ballgame, it’s a different market; its needs and requirements are different...” 18

Construction 4: Managing scale for value creation

Some speakers discursively construct claims of value co-creation, and thereby frame the value proposition through relational enactment ('partnership') and interaction. For example, one Indian customer notes that if a NZ firm works 'with' an Indian company, it can effectively add value by helping to achieve the scale requirements of the Indian market. Note the employment of the metaphor of a 'stepping stone' in order to express opportunities to reach other global markets.

But if they use the skill base here then they could scale up by having partnership with an Indian company, yep that would work - I would think so. And that's not just in the Indian market. It's for the world.... And like I said we've got to use the Indian market; use India as a stepping stone for the rest of the world. 12

On the other hand, we see from a number of Chinese participants a greater emphasis on the development of transactional value regarding the need to achieve scale in the Chinese market ('in here'), using classic managerial terminology like 'economies of scale' to denote this. Here, participants seem to be more concerned about the ability of NZ firms to achieve economies of scale, and acknowledge that, for small companies, it is very difficult to deal with the demand for high volumes ('the large order') from buyers who apparently represent 'top' customers. The lack of 'understanding' about this situation attributed to NZ firms is argued by this manager to have a deleterious affect ('not...getting') on any potential interactions ('response or attention').

"Some New Zealand businesses don't understand that they don't have the economy of scale. Meaning, they come in here they don't really, they can't really, deal with the large order. So, naturally, they're not going to be (selling to) one of the top two customers and they're not probably getting the sort of response or attention that they hope they would get." 9

To confuse the issue further, NZ managers' perspectives of managing scale tend to focus more on partnering with each other ('us to share...' in the quote below) than partnering with their customers to achieve volumes. Again, this reflects the importance of networks in value co-creation for these managers. Thus, the inclination expressed in interviews is to co-produce value (via, for instance the sharing of 'intelligence') among themselves ('fellow Kiwi companies'), rather than working with their customers to resolve scale issues, and, at the same time seek value co-creation 'opportunities together'

as we saw in the Indian example above. This speaker acknowledges his firm's relative size ('tiny') and is very keen to assert his 'support' of such initiatives.

"I'm a huge supporter of New Zealand businesses going after opportunities together. We're tiny – our scale is not insignificant, but we are tiny. So where there is an opportunity for us to share intelligence, share opportunities, introduce fellow Kiwi companies to opportunities, I'm an absolute supporter of that." K

Construction 5: Relationships and value creation

The examples below illustrate that relationships are critical in both China and India. However, these IORs are sometimes perceived by NZ managers as differing in fundamental ways. This participant utilizes a discourse of trust to construct a national psyche for China that is more 'mistrustful' than that found in India. While the latter context may involve some doubt over the length of the relationship (the 'running the distance' metaphor), the potential for value co-creation would seem to be greater in India than China.

"There is a level of mistrust of you in China, whereas I think in India there's, there's an element of are you going to make it or are you going to run the distance, but there's no level of mistrust though." E

Having said this, some NZ participants acknowledge that relationships in China can involve a great deal of loyalty, a commitment that involves some effort as it is 'built' on personal networks and 'friendships'.

"There is a need to build up your contacts and your friendships. I find Chinese people are actually very loyal." J

Chinese participants also stress the importance of relationships, particularly as a way of becoming connected into the wider network. However, the discourse seldom touches on the notion of relationship partners working together to co-create value – rather, relationships are constructed as facilitating trade and business development. This speaker draws on a social networking discourse to suggest that relationships should be built with individual actors (even if these actors initially seem 'not important' or 'relevant') from the very beginning of the company's involvement in China. This is

because these individuals may provide ‘valuable’ links as the business develops thanks to their effective possession (‘he has’) of ‘relationships’ as well as ‘information’, thereby revealing a view of IORs as a proprietary resource.

“And, yes, to be involved in the business at the very start. I mean to talking with more people, even if you thought maybe he’s not important, or he is not relevant to this business, but sometimes you may get very valuable information because some things are related, are connected... The relationships in China are built from not only from work but also from social lives. So somebody is very valuable because he has relationships.” 8

Like their Chinese counterparts, Indian managers construct relationships as things that must be ‘worked’ at. As highlighted in the example below, impersonal communications (‘emails’) are portrayed as insufficient for building IORs in India (‘here’).

“Relationships are also very important. But I have seen a lot of people; they just send the emails and not get out of office to come here. That doesn’t work here.” 17

According to NZ managers’ descriptions of relationships in India, the most effective approach entails both parties looking at a problem together, without assumptions of greater ‘expertise’ on the part of the supplier (‘you’, ‘we’). This suggests the utility of a solution-based approach that does not patronize the Indian partner (‘they’), something that this speaker reflects upon quite sensitively.

“I think the key to India is not to go there and say you’re the expert and here’s the answer, because they don’t particularly want to hear that, strangely enough, just as we wouldn’t.” G

Construction 6: Supply chains combining actors’ expertise to create value

We may gain considerable insight into different constructions of value creation by interpreting the discourse of participants from China and India on the combining of expertise in supply chains. It is here that we see noticeable contrasts between Chinese and Indian managers.

The discourse of some Chinese participants reflects the notion of co-production of value, rather than co-creation of value – in other words, enhancing productive capabilities by working collaboratively with a NZ supplier. In this way, value is enhanced from the more efficient use of existing, separate resources, rather than from mutual creative activities. One such manager suggests a

joint venture as the best arrangement. This is based on discourse of choice ('a lot of selection') for the NZ partner, plus a construction of separateness between 'design' and 'manufacturing' as this enables the NZ firm to retain 'control' over the design and the 'quality' of manufacturing arrangements.

"Joint venture, because from New Zealand side and someone like XXX [NZ company], they can have a very good design. I think they need to use their design and here in the Chinese market they have a lot of selection for manufacturing. Manufacturing is quick and cheaper... New Zealand engineers can control all the quality, all the schedule." 4

Indeed, having 'control' of the entire supply chain, or the parts where NZ companies have a role, appears to be an important consideration for NZ managers. They tend to express caution about working directly with or integrating into a supply chain in China for fear of losing intellectual property. Thus, at best, this approach reflects a construction of co-production of value, falling well short of a value co-creation approach.

To illustrate, one participant argues for the importance of having 'control' of the supply chain in order for their 'processing' to succeed in China. This provides the opportunity, they suggest, to 'initially' direct developments in the industry, and thereby to set the agenda for value generation throughout the supply chain in the future, even if their firm ('we') does not 'own' the entire chain (although the use of the 'necessarily' qualifier does hint at a desire for complete control).

"In China, if we go into processing in a large way, we're going to control the supply chain, at least in the initial stages. Control doesn't necessarily mean owning it all, but we're going to control it." H

In contrast, some firms view the market in India as an opportunity to combine NZ and Indian expertise much more closely within the supply chain. This NZ manager constructs the contemporary need to work with their Indian partner to adapt the product or service accordingly as being paramount to success. Note how this aviation supplier contrasts the past with the present ('the days... have gone').

That the days of doing everything from the New Zealand viewpoint have gone, which is where the marriage of ground school training in India and then flight training here makes sense. M

Some organizations have become so tightly embedded in their counterparts' supply chain that

new offerings are being developed in India in a partnership arrangement. In the quote below, the speaker draws on a discourse of ‘commitment’, supported by listing the various investments made by ‘their’ partner. The blurring of organizational identities is shown in the discursive oscillation between ‘our products’, ‘their market’ and ‘value added services...we don’t even offer ourselves’, thereby reflecting a complex process of value co-creation.

The commitment to our product line by our partner in India is so big that they have essentially built an entire business around our product line. And they employ around 300 people in India now and they run all sorts of value added services around our product line that we don’t even offer ourselves you know. So you know they’ve become, they’ve built an entire business around our products in their market. E

Construction 7: Notions of partnership and cooperation

In denoting the concept of working with a NZ company, Chinese and Indian participants tend to use different terms; the former talk about ‘cooperation’, while Indian participants use the term ‘partnership’. Interestingly, NZ managers tend to think of collaboration as a similar term to partnership, but view this within the NZ context – collaborating between NZ firms to better access the Indian or Chinese markets.

The discourse from Chinese managers on the topic of cooperation is more overtly predicated around Chinese companies gaining expertise than on innovation or co-creation of value. Thus, the focus tends to be on constructions of co-production of value, thereby effectively filling the gaps in their supply chains. For example, the dairy sector is one that many participants in China highlight for potential engagement and cooperation with NZ firms. Note how both these speakers use discourses of assistance (‘support’ and ‘help’) to set out their needs and expectations from an entity constructed as ‘the NZ dairy industry’. In an interesting juxtaposition of teacher/student that appears to indicate the Chinese are content to accept the latter subordinate identity, the NZ industry is positioned as possessing the ‘skill’ to ‘teach’ the Chinese sector (‘us’).

“We also want some support from the New Zealand dairy industry. We want some support from any countries that have an advanced dairy industry to come here and teach us how to do things and help the Chinese dairy industry.” 7

“So we hope to develop the cooperation relationship with New Zealand from the husbandry point of view, and how to improve the management skill to start helping us do it better.” 6

However, careful interpretation of some of our participants’ talk indicates that there are also notions of co-creation of value, with ideas to expand to new platforms. Here is an example relating to the film industry that conveys this sentiment. This speaker is keen to assert that there is considerable potential for the transfer of technical skills to Chinese partners in the animation field, as well as further development of ‘existing cooperation’. He draws on a discourse of growth (‘develop’, ‘expand’), but emphasizes a desire to ‘cooperate’ rather than merely receive support (as in the quotes above) to achieve this.

“The Chinese animation industry, animation industry, yes, needs to develop. So we can, we’d like to cooperate with New Zealand companies – they are very strong in this field, yes.... The cooperation [in film production] already exists, but I want to emphasize that it can expand.” 8

Overall, however, in India the expectation that a commitment between NZ companies and Indian customers will lead to co-creation of value is much more explicit than in China, as the following quotes illustrate. Value co-creation is a theme clearly evident in Indian participants’ discourse around exchanges within the ‘global’ supply chain and the benefits of a partnership mentality, manifesting itself in repeated talk of ‘working with’ each other (‘you’ and ‘us’).

“Work with us, don’t just sell to us.” 13

“But I see straight away, the opportunity is for you to bring the technology here and work with the local companies which are partnered with global companies to develop the market.” 10

6. Discussion

Our empirical study makes three main contributions to the literature on IORs. First, it provides a critical examination of perceptions of value and value creation through a careful appraisal of manager’s talk, suggesting that some rather nuanced social constructions are being accomplished by

our participants – constructions that, tellingly, correspond quite closely with the emerging literature on value creation. Second, managers' frequent reference to a range of other actors involved in the creation of value suggests that network co-creation of value may be more important to understand than value co-creation in dyadic IORs. Third, the study highlights different categories of value creation, identified in the differing discourse of managers from India and China in their IORs with NZ managers; value-in-use mainly in the case of Indian managers, and value-in-exchange with Chinese managers. Little research, to date, has looked at cross-border discourse in the context of value creation. These contributions are discussed in more detail as follows.

First, the processes of social construction we have identified are important, as managers' understandings and sensemaking in the context of market internationalization appear to be intertwined with (and arguably underpin – Phillips, Lawrence & Hardy, 2004) their strategic activities. In describing their interactions, buyer and supplier managers draw on a variety of discourses, including those of scale, presence, expertise, knowledge, choice, trust, commitment and control, as well as a discourse of value itself, to construct scenarios that appear to contrast transactional notions of value in exchange relationships with IORs that are based more on value co-creation. Several of the conceptual approaches to value creation found in the literature are supported by our empirical findings. For instance, we see the construction of exchange value when a need for market presence is evoked; relational value where notions of relationships (IOR and individual) are explicitly drawn upon; and even proprietary value when control of intellectual property is important to participants (cf. Moller, 2006; Henneberg et al., 2005). Furthermore, a balanced initiative is shown where actors claim to be combining their expertise; interacted value is seen when participants talk of managing scale via partnerships; and the broader significance of socio-cognitive constructions is confirmed, especially where some actors are apparently content to settle for a goods-dominant logic in their IORs (cf. Haas et al., 2012).

Second, we see in our data constructions of value facilitated or augmented by a series of network actors (Moller, 2006). These network actors include government agencies and channel intermediaries, as well as horizontal relations between more traditional 'supply chain' (a term used by participants) actors, such as suppliers and customers. Our findings support the view of the importance

of network relationships in value co-creation (Ballantyne, Frow, Varey & Payne, 2010), and provide empirical support for the contribution of actors in both supplier and buyer networks (Moller & Torronen, 2003). We thus suggest that an important contribution of our study is to confirm the role of networks in the co-creation of value. From an internationalization perspective, a network view of value creation is consistent with Johanson and Vahlne's (2009) more recent view of the internationalization process of firms. They argue that value co-creation (in the form of knowledge) occurs through the interactions between network actors located across national borders.

Third, it is interesting to note the apparent differences in the way that value co-creation is constructed by Indian and Chinese managers. This is evident in their discursive use of the terms 'partnership' and 'cooperation', respectively. Our findings suggest that the Indian manager's use of partnership as a means of co-creating value reflects a SDL, value co-creation paradigm. Both they and their NZ suppliers are jointly involved in co-creating value within a service system (Vargo & Lusch, 2008; Vargo et al., 2008; Payne et al., 2008). As the customers or agents of their NZ service firms, their participation in the interaction/relationship creates value-in-use (Grönroos, 2011). On the other hand, the predominant perspective seen in the discourse of Chinese managers is the use of cooperation between NZ managers and themselves. The discourse suggests that these Chinese customers embark on cooperation in order to make transactions more cost-effective, or to fill gaps in their supply chains; hence, we refer to these as the creation of transaction-based value, and co-production of value, respectively, both of which assume a perspective of value-in-exchange (Prahalad & Ramaswamy, 2004).

7. Theoretical Implications

Moller and Torronen (2003) note that managerial orientation (Brennan & Turnbull, 1999) is a key factor in developing relationships into a state where a more "partnering orientation to value coproduction" (p.115) is manifest. In attempting to manage such close inter-firm relationships, Child and Faulkner (1998) have noted that the more complex and novel any solution is, the greater the need for working cultures to be matched to produce future value. To help managers choose relationships that may facilitate value co-creation, it thus behooves researchers to learn more about the day-to-day

meaning-making that underpins, and reflects, culture(s) within buying and selling organizations – an aspect touched on, but not developed further, in our study.

Nevertheless, based on our analysis of the constructions drawn upon in the discourse of NZ managers engaged in business interactions/relationships with their respective Indian and Chinese customers, and vice versa, we derive a number of propositions. First, we propose that, at least in the context of cross-border IORs, the network, and network position of actors, play key roles in value creation (particularly value co-creation), reinforcing the interactions of the dyad. The discourse of managers invariably makes mention of a variety of ‘others’ in their perceptions of how value was created, with these actors being located in both the home and host country. We also propose that, in promoting a partnership orientation between themselves as buyers and NZ firms as sellers, Indian managers view these partnerships as opportunities for co-creation/value-in-use. Thus, there is a blurring of the distinction between buyer and seller. Third, and in contrast, we propose that, despite their use of such terms as cooperation, Chinese managers discursively position value creation as transaction-based, or as emphasizing value co-production. Thus, Chinese managers tend to reflect a value-in-exchange orientation.

These propositions align with Moller and Torronen’s (2003) representation of value creation in a network context, and reflect their distinction between customers wanting value ‘from or with’ their suppliers. They suggest a ‘relational value continuum’, ranging from relatively low relational complexity and a current time orientation, to high complexity and a future perspective, describing the former as ‘core value production’ (reflected by the Chinese managers in our study) and the latter as ‘future-oriented value production’. Whilst never explicitly using the term ‘value co-creation’, in between these two positional extremes they nevertheless posit a ‘value-adding relational value production’ position (reflected by the Indian managers), where suppliers and buyers can create new solutions “through mutual investments and adaptations” (Moller & Torronen, 2003, p.114).

Moreover, showing the utility of a zooming-in approach to the study of organizational phenomena, our findings illustrate the discourses of managers in IORs across borders, possibly reflecting differences in stages of economic development (developed and developing countries), and

in national cultures. Given the limited research into value creation in these contexts, further research in these settings is recommended.

7.1 Limitations

We acknowledge a potential caution relating to interpretation in our study. Specifically, whenever one works in the area of discourse, attention must be paid to the impact of language. For example, in our study, it is conceivable there might be more in common in the discourse of Indian and NZ managers, than in the discourse of NZ and Chinese managers within their respective IORs, simply because of the use of English in their ‘talk’. It should also be acknowledged that the research team involved in conducting the interviews were neither Indian nor Chinese, but were either UK or NZ-born. Salomonson, Åberg and Allwood (2012) have shown that buyer-seller communication in B2B markets has an impact on customer value creation, which suggests that if language barriers exist, value creation could be compromised. Thus we cannot ignore the possibility that the discourse of Chinese managers regarding value creation, and our interpretation of that discourse, is an artifact of communication, including the limitations of the English language itself.

8. Conclusions and Managerial Implications

Our overall contribution is providing discursive evidence of different perspectives of value creation by actors in cross-cultural IORs and their networks, from a value co-creation orientation which is rooted in the SDL perspective. Our study adds to a growing acknowledgement of the importance of discourse in understanding IORs – especially across national borders (e.g. Vaara & Tienari, 2004; Ellis et al., 2006). Our findings alert managers to how value appears to be constructed differently in China and India. Further, the importance of other actors in the value creation process is important for managers to recognize. For example, governments in both home and host countries, as well as a range of intermediaries, may be important in influencing how value is perceived and created by managers in an IOR.

The interaction between customers and suppliers has, of course, long been the focus of IMP research (Ford, 2011; Ford & Mouzos, 2013), but more recently, it has become the locus of value co-

creation (Prahalad & Ramaswamy, 2004). Arguably, participants in industrial networks have always dwelt in a world built by an SDL-driven set of discourses, where service exchange and value co-creation are embedded in social interaction, where value is a social construction, and value co-creation is influenced “by social forces, is reproduced in social structures, and can be asymmetric for the actors involved” (Edvardsson, Tronvoll & Gruber, 2011, p. 327).

We expand on this value co-creation stream of research by examining its perceptions and interpretation in managerial discourses in two cross-cultural settings. For one setting (India), we show that customers and suppliers are constructed in managers’ discourse as actors who cease playing passive roles in the value chain and instead assume critical mutual importance in the value creation process. For the other (China), we see managers’ discourses portraying traditional views of value creation, where suppliers and customers fulfill transactional, rather than co-creating roles. This latter finding is significant in that it cautions both academics as well as practitioners that S-D logic and a preoccupation with value co-creation, to the exclusion of attention to the traditional value-in-exchange paradigm, is ill-advised. We believe that S-D logic and value co-creation is not a “one size fits all” solution to business-to-business marketing. Returning to Ford’s (2011) call for a better understanding of managerial identities and characteristics, and the need for deciphering the nature of value within IORs, our study goes some way towards addressing these points. Utilizing a discourse analytical approach has allowed us to better understand how managers in cross-cultural IORs construct meaning, particularly as it relates to value creation in a service-dominant context.

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Table 1
Case Organizations

	<i>NZ Organizations</i>		<i>Chinese Partner</i>		<i>Indian Partner</i>	<i>Context</i>
A	Instrument Manufacturer	1	Representative Office	10	Distributor	Specialized Machinery
B	Educational Institution	2		11	Agent	Education
C	Education Institution	3		11	Agent	Education
D	Electronics Equipment Manufacturer	4	Customer			Specialized Machinery
E	Software	5	Representative Office	12	Joint Venture Partner	Media Industry
F	Electronics Equipment Manufacturer			13	Customer	Security services
F	Electronics Equipment Manufacturer			14	Agent	Security services
F	Electronics Equipment Manufacturer			15	Customer	Security services
F	Electronics Equipment Manufacturer			16	Licensee	Security services
G	Legal Firm			17	Agent	Legal services
H	Dairy Company	6	Customer			Dairy Industry
H	Dairy Company	7	Representative Office			Dairy Industry
I	Design Company	8	Agent / Distributor			Design services
J	Agricultural Services	8	Agent / Distributor			Agricultural industry
K	Project Management	8	Agent / Distributor			Project Management
L	Aviation services			18	Customer	Aviation services
M	Aviation services			18	Customer	Aviation services
N	Educational Institution	9	Agent			Education
P	Fashion Clothing			19	Agent/distributor	Apparel industry