

# Japanese Relationship Marketing: Reappraisal of Roles Among Industrial Distributors

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## Abstract

This paper found a new role for Japanese industrial distributors, via elaborate case study methodology. The findings suggest previous results might have ignored this particular role. A small manufacturer might try to use this role strategically, especially when attempting to enter a new market.

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## 1. Introduction

In Japanese industrial business practices, the importance of relationships is not necessarily emphasized. Actually, there are many firms that have tried to build and maintain good relationships with customers. From a research perspective, this phenomenon has been discussed by using concepts like switching costs, transaction costs, among other approaches.

Succinctly put, the dark side of business relationships is another topic within the marketing research field. (cf. Anderson and Jap, 2005). How can we define the dark side of business

relationships? For example, in the field of new product development, a closed relationship may extinguish, even kill an innovative idea. (cf. the concept of value network by Christensen, 1997). In a typical Japanese business network, not every company is profitable. Few companies earn the majority of profits. In other words, those relationships may not build upon a reciprocal base. Companies expect to improve their performance by building and keeping relationships with their customers. But when a relationship gets too tight, so to speak, it might subsequently worsen revenue and/or damage profit performance. That is, a “good” relationship is not necessarily good.

Why do these kind of problems occur? What particular problems reveal themselves in a good relationship? This is the central research question.

Anticipating my subsequent conclusion, it entails “in the beginning was the network” (Ford and Redwood, 2005). Any company has its own network. And the network will extend, curtail, and switch from one to the other. All of these make the relationships in the network change. Then the structure of the network will decide the output of relationship building.

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In order to further discuss this topic, I will introduce a case approach that describes the process of how a German electronic parts manufacturer attempted to enter the Japanese market. Because of the inherent tight network structure of Japanese electronic parts industries, the result of direct entry was failure. After this initial failure, this firm tried to enter the Japanese market via help from a Japanese paint distributor. As a result, the entry of the German electronic parts manufacturer was successful. The factor leading to success was the paint business network that the Japanese paint distributor nurtured. However, generalizing it as a simple success story would be analytically only scratching the surface. I will elaborate those details later. Here, I would prefer to propose the importance of realizing what structure of said network that this particular business was based upon. Only by focusing upon the character of this network structure can companies hope to build a constructive relationships and maintain them.

In order to make our further our discussion, I structured our paper as follows. First, we will have a brief literature review. Then I will introduce the case study model and analyse it theoretically. Proceeding these steps, we will attempt to argue what ultimately defines a good relationship. That is the central topic in this paper.

## **2. Brief literature review and theoretical background**

As mentioned above, we would like to discuss the case of German electronic parts manufacturer. So we should review researches on the foreign market entry. Though there were a lot of studies in terms of entry strategy, there are a few studies that were treated with relationship

aspects. Leonidou et al. (2006) was one of these studies. Their interests based upon buyer-seller relationships in international markets. According to their explanation, traditional exporting research indicated that this developmental export pattern is largely associated with the limited information that the firm has on international markets, which is characterized by higher business uncertainty, greater psychological distance, and more adverse conditions (Leonidou et al. 2006, pp. 576-577). However, from the relationship view, another explanation can be addressed. That is, the exporting firm initiated, developed and sustained business relationships with foreign customers, while the rate of generating a portfolio of such relationships will be subject to the degree of uncertainty, distance, and conflict perceived to exist in each relationship.

As Leonidou et al. (2006) study suggests that relationship view sometimes takes a new account for previous research agenda. In the relationship marketing (RM) studies, this sort of topic is one of the researchers' main themes. The importance of good relationship is widely accepted by marketing researchers. And the relationship marketing had been emerged as a dominant mantra in business strategy circles (Palmatier et al. 2006). Both in the business practice and the academic research, RM had "experienced explosive growth" in the past decade (Srinivasan and Moorman 2005). Morgan and Hunt (1994) had defined RM as "all marketing activities directed toward establishing, developing, and maintaining successful relational exchanges" (Morgan and Hunt 1994, p. 22) Most of researchers and business consultants assume that RM helps to generate stronger customer relationships and enhances the sellers' performances, including sales growth,

share, and profits (Crosby, Evans, and Cowles 1990; Morgan and Hunt 1994).

Anderson and Narus (2004, p. 21) stressed the importance of relationships from a business point of view. They claimed that a “firm’s success in business markets depends directly on its working relationships.” And in their work of 1990, Anderson and Narus indicated that a distributor contributed to establish a good partnership with the manufacturer. Overall, both in the researches and practices, and no matter in consumer or business markets, there is a strong agreement of good relationship is a key factor toward the success in marketing.

As mentioned above, we know the relationship is important, but for managerial implications, we have not known what kind of relationship is important. So agenda might be focus on what kind of relationship should be built. Before to consider this agenda theoretically, we will briefly see the old proverb, “birds of a feather flock together” is a good reference. It means we are usually to expand our relationships to those are close or like ourselves. Put these words into the industrial business context, it means when a company try to extend its business, it usually starts from the field that is familiar to the company. And because of the familiarity, the business occurs from the old relationships. That is a reason why industrial companies prefer to deepen their relationships with their old partners.

However, familiarity with old relationships is not always good for international business extensions. For example, Loane and Bell (2006) investigated the conditions of internationalization among entrepreneurial firms in Australia, Canada, Ireland and New Zealand. They conducted some in-depth interviews with 53 CEOs from entrepre-

neurial firms. 25 per cent of these firms actively used existing networks to develop their international businesses, and or improve their international competitiveness. However, about 34 per cent of these firms showed that they had to build new networks to advance the nature of their existence. In other words, building a new network is relatively important in the field of international business proliferation.

Therefore, I will focus on the boundary spanning function of industrial distributors. The boundary spanning function means a bridge of different networks. The concept of “the strength of weak tie (Granovetter 1973)” refers to the problem of spanning new networks. But I must add that the concept is not a fully refined one. In order to take one further step, I will refer to the concept of “structural holes” (Burt 1992), because the “structural holes” concept had previously refined “the strength of weak tie” concept.

According to Burt (1992), who had applied the concept of “structural holes” in his empirically supported approach, got the following results.

The term “structural holes” means “the separation between nonredundant contacts”, it is “a relationship of nonredundancy between two contacts” (Burt 1992, p. 18). In other words, the structural holes are not holes that are empty, but they are holes connected by weak ties, and they are the opportunities to gain different information from those who are not familiar to you now. This is similar to Loane and Bell (2006)’s findings. They found in their research, most of CEOs of entrepreneurial firms tried to get new information from their new networks.

In Burt’s idea, “given two networks of equal size, the one with more nonredundant contacts provides more benefits. There is little gain from

a new contact redundant with existing contacts”. So Burt claimed that “time and energy would be better spent cultivating a new contact to unapproached populations. Maximizing the nonredundancy of contacts maximizes the structural holes obtained per contact” (Burt 1992, p. 20).

And he explained the difference between “weak ties” and “structural holes” according with the following. “The weak tie argument is about the strength of relationships at the same time that it is about their location”. “The structural hole argument is about the chasm spanned. It is the latter that generates information benefits. Whether a relationship is strong or weak, it generates information benefits when it is a bridge over a structural hole” (Burt 1992, p. 28).

According to Burt (1992), there are three classes of structural holes shown in Figure 1. They are (a) holes between the cluster around contact A and everyone in your own cluster, for example, the hole between contacts A and C; (b) holes between the cluster around contact B and everyone in your own cluster, for example, the hole between contacts B and C; and (c) the hole between contacts A and B. And about the weak ties, he explained as below. “YOU are best positioned for information benefits, contacts A and B

are next, followed by everyone else. YOU have two weak ties, contacts A and B have one each, and everyone else has none. YOU have the largest volume of structural holes between your contacts, contacts A and B have fewer, and everyone else has few or none”. (Burt 1992, p. 27)

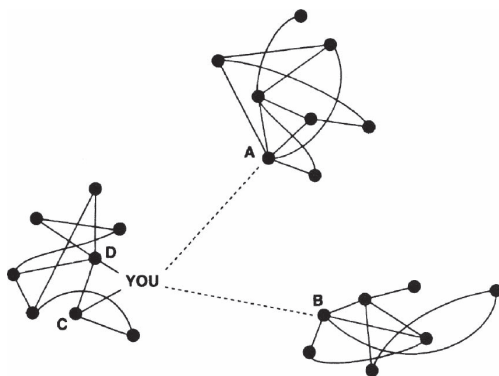
“The argument can now be summarized with a concept defining the extent to which a player’s network is rich in structural holes, and thus rich in entrepreneurial opportunity, and thus rich in information and control benefit. The concept is structural autonomy” (Burt, 1992, p. 44)

“The rate of returns is keyed to the social structure of the competitive arena. Each player has a network of contacts within a competitive arena. Certain players are connected to certain others, dependent on exchange with certain others. Something about the structure of the player’s network and the location of the player’s contacts in the social structure of the arena defines the player’s chances of getting higher rates of return on investment. The chances are enhanced by two kinds of network benefits, information and control” (Burt, 1992, pp. 45–47) one. Thus, we may conclude Burt’s findings as the followings.

$$\text{Profit} = \text{Investment} * \text{rate of return}$$

The factor of “investment” related to “question of production”, and the factor of “rate of return” related to “question of opportunity”. And the question of opportunity refers to the competitive advantage of structural holes. About the competitive advantage of structural holes have been noted in table 1.

Burt (1992) summarized his argument that “players with contract network optimized for structural holes—players with networks provid-



**Figure 1** Structural holes and weak ties (Burt, 1992, p. 27)

**Table 1** Competitive Advantage of Structural Holes (Burt 1992, p. 46)

Kind of advantage	Substance of advantage	Social structural condition responsible for the advantage
Information benefits	Access, timing and referrals	Contact redundancy and structural holes: Network trust, size & diversity, cohesion & structural equivalence efficient-effective networks structural holes & weak ties
Control benefits	Tertius Gaudens, entrepreneurial motivation	Structural autonomy: Holes & entrepreneurial opportunity, primary holes & constraint, secondary holes & constraint, hole signature & structural autonomy

ing high structural autonomy—enjoy higher rates of return on their investments because they know about, have a hand in, and exercise control over, more rewarding opportunities”. (Burt, 1992, p. 46)

According to Burt’s idea, we might say that the company who can find the structural holes among the other companies, and span them selectively, then those companies which consisted of structural holes could enjoy more benefits from the new connection from the structural holes. It is the role of an industrial distributor (Hlavacek and McCuistion 1983). So, we will explore this role in the subsequent case.

### 3. Methodology

Case study is a commonly used in business and management research since it allows for a processional and contextual analysis (Yin 1991). And this methodology is suited to searching for deeper explanations of said phenomenon. The case study approach is appropriate for understanding the dynamics of phenomena (Bonoma 1985). Our aim is to catch those dynamics and therefore that is why I choose this approach.

We had had eight interviews to O-well from November 2005 to April 2006. The interviewees included the president, chief manager of planning department, and five managers who were involved

in the “Electronics Project” (“E-project” hereafter as well). Beside interviews, we also asked our questions to O-well via telephone, e-mail, and applied my full consulting energies toward it. The information about Micronas and DENSO were described by the interviewees in O-well.

### 4. Case Study

As we stated in the introduction, we treat each case of technology-based small firms that entered the Japanese market, in this section. First, I will describe three firms, Micronas, DENSO, and O-well. Then we will focus on a specified project organized by them. Through this work, we will suggest the role of structural holes.

#### Micronas

Micronas is a semiconductor designer and manufacturer with worldwide operations. It is a leading supplier of cutting-edge IC and sensor system solutions for consumer and automotive electronics. It serves all major consumer brands worldwide, many of them in continuous partnerships seeking joint success. While the holdings are headquartered in Zurich (Switzerland), operational headquarters are based in Freiburg (Germany). Currently, the Micronas Group employs about 2,000 people. In 2005 it generated CHF 845 million in sales.

In order to deal with Japanese automobile manufacturers and their parts suppliers, Mirconas Japan, a branch of Micronas, had been established in 1996. However, the effort of building its own distribution channel failed. This forced Micronas Japan to choose a Japanese agency to seriously enter the Japanese market.

### DENSO

DENSO is one of the largest automobile parts suppliers in the world. In fiscal 2005, the year ended March 31, 2006, DENSO reported another year of record results. Consolidated net sales increased 13.9% year on year to ¥3,188.3 billion (21.3 billion Euro, 1 Euro = 150 Yen, hereafter as well), exceeding ¥3 trillion (20 billion Euro) for the first time. Operating income rose 24.6% to ¥266.6 billion (1.78 billion Euro), and net income jumped 27.9% to ¥169.6 billion (1.13 billion Euro). DENSO was established as Nippon DENSO Co., Ltd. having been separated from Toyota Motor Co., Ltd. with ¥15 million (100 thousand Euro) capital in 1949.

### O-well

O-well is an independent industrial distributor. In this article, we use “independent industrial distributor” as following. The firm is usually consisting of only a handful of sales and support people. Unlike manufacturer’s representatives, who take on the role of sales representatives and work on a commission basis, industrial distributors take possession of the products they sell and assume the role of partner with several manufacturers.

O-well was founded in 1943 as Ohmi Kogyo Co. LTD (Ohmi Kogyo hereafter as well) at Osaka, Japan. Ohmi Kogyo was founded to treat

the transaction of paint and coatings. The paint and its material had become to be governmental control goods in 1947. In order to grasp information about the Japanese government and General Headquarters/Supreme Commander for the Allied Powers (GHQ/SCAP), Ohmi Kogyo was forced to establish its Tokyo branch. Since then, the branch network had been expanded widely in Japan. The branch network was expanded according to important customer. The subsidiary companies were established according to business of important customer. There are seven subsidiary companies under O-well group now. Uni-electronics Inc. is the subsidiary that established in 1966, the first established subsidiary of O-well. The business of Ohmi Kogyo was extended, so the name of the company was changed into “O-well Corporation” in 1992. It is a new name which merges “WELL.” with “O” that comes from “Ohmi Kogyo Co. LTD”.

O-well has grown to be a industrial goods trading company with capitalization of 860 million yen (5.73 million Euro) and annual sales of 50 billion yen (33.3 million Euro) in 2005. Now, O-well have 38 branch offices and three colors-mixing factories. And O-well is dealing with not only paint but also paint equipment, interior design goods, miscellaneous goods and so on. O-well not only sells paint and paint equipment, but also contracted to design and to manage the painting process of a customer companies. Moreover, O-well is dealing with electronic products, building materials through seven subsidiaries, and forms a large group of industrial goods. It remains as O-well’s competitive advantage.

### **“E-project” of O-well**

In February 1999, the “E-project” had been

initiated in the merchandise department of O-well. Actually, the purpose of this project was not well-defined at that moment. There was no market survey or any empirically-based estimation of their target market, when they decided to start this business. There were only two group staff assigned to this department from the very beginning. The purpose of establishing this department was that they wanted to make provisions for their paint business, the core business of O-well, by joining this rapidly expanding electronics market.

They started their businesses in this electronics market with three products, "register parts", "optical fiber for telecommunication network", and "hall effect ICs", in April 1999. All of these three products are purchased from other companies. The trading routes are as follows. The register parts are purchased from Kansai Paint Co. and going to be sold to the printed-circuit board manufacturers. The optical fiber is a product of Sumitomo-3M Co., and planned to be sold to the, generically titled, Information Technology (IT) industry. And the "hall effect ICs" is the product of Micronas and planned to be sold to the automobile parts manufacturers.

In the beginning, the E-project staff regarded register parts and optical fiber products as their main merchandize. In retrospect, they secured orders for their registered parts in April 1999. For instance, the order from Meiko Electronics Co. LTD, a print-circuit board manufacturer for the Mask Coater System, contributed O-well revenue of 62 million Yen (413 thousand Euro). But, O-well did not manage this business with any particular success.

In the optical fiber products business, O-well got their orders from DDI Co. LTD, a large telecommunication company in Japan, in July 2000.

The amount of this order was 16 million Yen (106.6 thousand Euro). However, in this business standardizing your product was necessary. That meant that it was difficult to secure a functional differentiation. Because of the nature of this business it was easy to get into sharp price competition, O-well could not secure a pricing advantage from Sumitomo-3M, thus ultimately this situation forced O-well to withdraw from this business sector.

E-project initially started with three merchandize. After losing two of them, the "hall effect ICs" was the only product remaining. E-project staff regarded the "hall effect ICs" business as a difficult to sustain business sector. After a long struggle, O-well had set the "hall effect ICs" on its E-project at April 1999.

The "hall effect ICs" technology is a technology that applies non-contact IC to sense the movements of objects. Hall effect ICs can easily detect stray magnetic fields. O-well tried to apply this product pertaining to automobile parts. By doing the paint business, O-well has some connections with automobile manufacturers. O-well tried to ask the automobile manufacturers to introduce the "hall effect ICs" to some parts manufacturers. In contrast to O-well's expectation, there was no automobile manufacturer responding that it would like to try this. Finally, O-well had decided to make contact with parts manufacturers directly. In June 1999, they got an opportunity to attend a small conference for the new product development in DENSO, a critical parts manufacturer in the supply chain of Toyota. O-well also had an opportunity to do a presentation of the "hall effect ICs" to various R&D staff, including IC technology, ABS technology, and electronics parts purchase. Unfortunately, this



effort didn't harvest O-well any business results.

Although O-well could not get any orders at that time, they had made their own staff realize what "hall effect ICs" really is. This failure assisted O-well get further accustomed to further develop their own sales promotions. After this presentation, there were several inquiries for this technology from some manufacturers. In order to respond to these inquiries, O-well planned its own presentation with a technological staff from Micronas.

In July 1999, O-well contacted Micronas and became its agent to run the business in Japan. However it was not a simple accomplishment. Even though many parts manufacturers were interested in this technology, they hesitated to introduce it into their product lines. Because, pricing of the "hall effect IC" was higher than the price of previous parts, and also there was still some technological problem in its application. Especially, most Japanese semiconductor manufacturers were not familiar with this technology. Furthermore, their downstream-manufacturers did not express whether they employed this technology or not. So various hindrances occurred not only from the suppliers, but also from end users.

By applying "hall effect IC" technology, we can transform a mechanical treatment into an electric treatment even if there is not any physical contact between two parts. The less the physical contacts among parts, the less mechanical friction will occur. When the friction among parts can be reduced, then the resultant contact failures will occur. However, even though engineers realized this logic, no one knew how to apply this logic. In other words, "non-contact" was just an idea-only concept at the time.

The one who embodied and integrated this ideal concept into actual parts manufacture was a manager in throttle valves at DENSO. Actually, there was an interesting episode behind this fact. That is, because the defective rate of their throttle valve products were too high, a requirement for improvement had come from Toyota. In order to reduce the defective rate, they analyzed their products and found the physical friction among valve components were the main culprit. When they discovered this issue, the technical logic was linked to its usage.

According to our interviews, a manager of DENSO told one of our interviewees, "He was demoted from another business department, and knew nothing about throttle valves". So even there was still some risk to take on this new technology into their product, nevertheless he risked everything on it.

The new technology found a new usage. But it doesn't mean new business comes along based on consequence. The character of automobile parts business is "design-in." That is, every part in a car was determined in the design phase. So that, if they want to extend their new valves business, they have to wait till the development of a new car or the timing of full model change. Actually, O-well accompany with DENSO locked their focus on the full model change of "Windom (Lexus ES300 export model)" in 2001.

As a result, in May 2001, a new style of electronic controlled throttle valve that used the "hall effect IC" was installed into the new model of "Windom". At that time, the total amount of production for "hall effect IC" was just 6,000 pieces per month. It was not a considerable amount, however they anticipated the amount would go up. And the high defective rate of throttle valve



has been reduced to almost zero, which won them official approval from Toyota.

Because of this success, other departments of DENSO introduced the “hall effect ICs” technology into their own sectors. Also it influenced the the opinions of other automobile manufacturers, such as Honda and Nissan. The sales amount of “hall effect ICs” in O-well was 90 million yen (600 thousand Euro) in 2001. It increased dramatically to 500 million yen (3.33 million Euro) in 2002.

Sales amount kept going up, 1,500 million yen (10 million Euro) in 2003, 3,000 million yen (20 million Euro) in 2004, 5,000 million yen (33.3 million Euro) in 2005. And the “E-project” team was promoted from the merchandising department to become the electronics department. In fiscal year 2003, the profitability drove this department into the black. And of fiscal year 2004, remaining accumulated loss had been cleared.

## 5. Case Analysis

According to Anderson and Nurus (1990) and Nurus and Anderson (1984), they indicated that an industrial distributor could play a role to build relationships between suppliers and users.

In the case I proposed, a good or constructive relationship is very important. Actually, before the tie-up between Micronas and O-well, Micronas intended to enter the Japanese market on their own. They founded a subsidiary called Micronas Japan, which would sell “hall effect ICs” to Japanese automobile industry in 1996. But Micronas Japan had not built good relationships with their customers.

On the other hand, O-well still had relationships with automobile manufacturers and their parts suppliers, they were not that helpful in the

proliferation of “hall effect ICs” business. As a result, O-well was notably successful in selling the “hall effect ICs” to DENSO, but the business opportunity took a great deal of time to develop. One day, a certain personnel at Nissan gave information about the new product development study to DENSO. It was not secretive session; anyone who had any technology could attend this meeting. O-well, of course, attended this session with the “hall effect ICs”.

What I want to expound upon is, O-well had already had some close relationships with DENSO in the paint business, but O-well did not know they could use these relationships to ask those in attendance to the new product development studies in DENSO. After O-well introduced the “hall effect ICs” into DENSO, there were several feedback response from some of its engineers, but they were just responses, not becoming core business. The one who applied this IC into products initially was a manager demoted from another department. He knew nothing about throttle valve business, IC technology, and didn't have any relationship with O-well. That is why I noted, a good relationship will not bring a good or constructive business imperatively, or consequently.

Here, we would like to summarize our arguments utilizing Fig. 2. The left-upper figure shows the relationships that existed among paint suppliers, O-well, the distributor, and the paint end-users (Phase 1). In these paint transactions, O-well played the role that spanned a structural hole. Because of the advantageous position, O-well attempts to use it to extend its hall effect IC business.

The right-upper figure (Phase 2) shows the failure of the direct entry to Japan market that

Micronas had been made. Because of the network within Japanese electronic parts industry is so tight it gave Micronas little or no chance to enter. After this failure, Micronas tried to use the local network. And Micronas aimed its target toward O-well. Because O-well had already had some networking in the paint industry as indicated in Phase 1.

As we had mentioned above, O-well has a strong position in the paint network, that makes O-well believes it is possible to extend the “hall effect IC” business for Micronas. But, actually, the strong position in the paint network, didn’t work well in the electronic parts business. The figure at the lower-left shows this situation (Phase 3).

The turning point did not come until a key player (DENSO X) was found within the network. As we depicted in Phase 3, “DENSO X” was a central player who belonged to the DENSO cluster, but he is not involved with the existing electronic parts network. In other words, this player is working in the electronic parts industry but did not commit to the existing network, so to speak. As a result, this participant has high degree of freedom. This “free” character makes him pursue decision making methods more challenging than other participants would. So, he was free to use this “hall effect ICs” even if he did not know any past reputation of the parent firm. The lower-right figure shows the successful result of the “hall effect IC” business (Phase 4).

## 6. Discussion

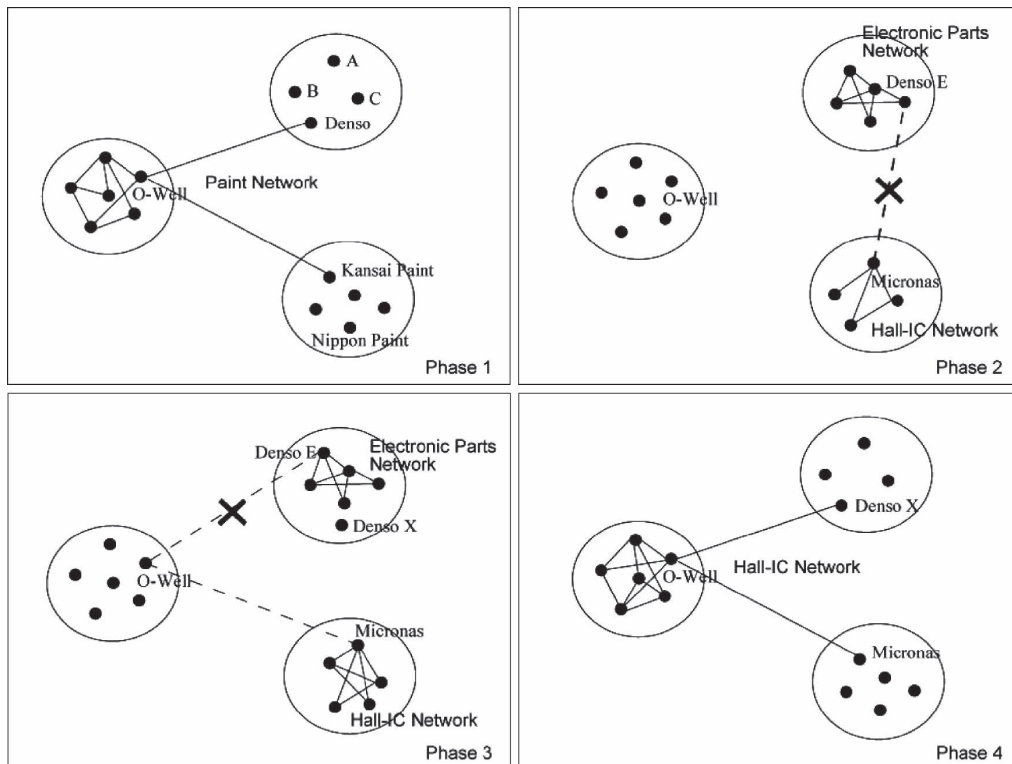
Generally speaking, in order to reduce the transaction costs, industrial companies like to build a steady relationship with certain companies. To build a good and or constructive relation-

ship, some adaptations might be required. These adaptation requirements ask both sides of companies to invest some resources in them (Håkansson ed. 1982; Cannon and Perreault 1999).

Anderson and Jap (2005), however, discussed some dark sides of the close relationships. They suggest that several investments to make adaptations can improve their partner’s productivity and efficiency and enable both partners to receive greater returns than they could have obtained on their own. But over the long run, the parties may lose touch with alternatives that represent a better way to do things and thus may fail to innovate (Anderson and Jap, p. 79).

In our case, although the “hall effect IC” revealed dissatisfaction to the old suppliers networks, Denso failed to employ it, for Micronas’s reputation. We may say that Denso might have failed to innovate at that time, because no one employed this new technology, even though the defective rate of the throttle valve was high. Only DENSO X did who was outside of existing network.

This phenomenon is illustrated in Phase 4 of Figure 2. In Phase 4, the players isolated one another in the user cluster shown in this situation. This situation enables one to find new usage for the hall effect ICs. Denso X desired new technology and parts for its throttle valve, because of a high defective rate. Denso X felt dissatisfaction among existing networks. This network was fragile. This situation was depicted in Phase 4. Any player on the demand side cluster did not contact with each other at that time. Micronas could sell the “hall effect ICs” to Denso X, if Micronas developed a new supplier network for throttle valves using the “hall effect ICs” from



**Figure 2** Network transformations and subsequent evolving relationships

scratch. Who could secure the opportunity without recognizing an existing business chance? There is a structural hole between them. O-well did join together with them, for a resultant independent distributor role.

In order to gain further insight on both of these issues, we observed some clues from Burt (1992) and Pitt et al. (2006). They are the concept of network, structural holes, and structural autonomy. It is a dominant realization toward to the industrial business. But there are some dark sides on the close relationships. The concepts of structural holes and autonomy are the keys to solve the problem that come from dark sides of close relationships. Saying these in other words, industrial business usually runs on a relationship that likes network. But in order to increase more benefit, the members on a network should not

just response to the requirement that comes from other member. What network members act progressively is the key to increase the benefit on the network. How to act progressively? To our idea, that is chasing entrepreneurial opportunities. More concrete, that is, contacting to the member who is not familiar and through this contact to get different kind of information. The different kind of information is a possibility to the new business.

Another question arises, that is, who should play the role of chasing entrepreneurial opportunity with regards to the whole network? We suggest that the industrial distributor is said chaser. There are two notable reasons. The first one is, manufacturer has pressure to get higher ROI from production. This pressure makes manufacturers adverse to try new technologies.

The second reason is, the technology driven companies was sometimes embedded in value networks that pursue excellent technology. This consideration also would lock onto and target entrepreneurial opportunity.

From this point of view, the industrial distributor has no pressure from initial considerable investment on the production process and no restriction from technology, that makes it easier to move than other members within the business network. In other words, the commercial capital are more fluid and easier to shift from one network to the other than the traditional industrial capital. We also can declare, with some reservation, chasing entrepreneurial opportunities is the domain that industrial distributors can co-exist. From the case that we described above, O-well, the industrial distributor played a key role as the bridge to introduce technology that Micronas owns toward DENSO. It may be said, in free economies, DENSO and Micronas would have a sufficient possibilities to begin their businesses without O-well. Furthermore it is because these two companies have their own strong separate network, respectively.

Lastly, Micronas was self-alienated to the Japanese market which made the connection between Micronas and other companies weak or difficult to nurture. Both of these two reasons reduced the possibility of direct connection between Micronas and DENSO. This weak connection represents a structural hole for O-well. When O-well plays the role as "bridge," the chasm between Micronas and DENSO, all of these three companies reaped benefits from said network.

## 7. Conclusion

My main finding in this paper is a good

relationship may not be always good or constructive. It is because a good relationship may make the relationship constrained. In order to loosen the constraints of a taxed relationship, switching among the line of various relationships might be one of the alternatives. And the key player who can change this stiff relationship, used to exist outside of the old network. An industrial distributor, does not like a manufacturer, work independently. Subsequently, an industrial distributor may find it easier to explore and investigate out more isolated network players and build a totally new network together with them. One might conclude this high flexibility of building networks is the strength of an industrial distributor.

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