

Interaction in business relationships and its consequences

This third issue of the journal in 2017 consists of seven papers with a common thread to explore interaction processes in business relationships and how interaction processes affect economic policies and managerial approaches. All the three topics are much debated in recent IMP research, reported also in prior issues of this journal.

The first three papers deal with the theoretical foundations of the interactive business relationships and offer three focused perspectives on interaction processes going on between companies in business relationships. Drawing on original empirical data, the three studies examine competence transfer in business relationships, analysis of interaction episodes and business models in business networks. The three studies deal with the topics less present in the recent IMP research and add thus to the conceptualization of interaction in business relationships. The first is a case study of the Danish wind mill network, looking into the issue of integrating and transferring competences in business networks. It approaches the issue under the heading of “brokerage” and related transfer mechanisms of bonding, bridging and protecting. In the second paper, the author reviews how interaction episodes in business relationships have been conceptualized. The paper departs from data on e-mail communication in 75 episodes between buyer and supplier and results in formulating criteria for assessing the criticality of interaction episodes. The third of the papers scrutinizes the role of interaction in key business relationships for conceptualizing “business models”. Based on the review of recent research on how business networks contexts affect business models, and on a longitudinal case study of a Swiss pharmaceutical business, the authors argue that when a limited number of business partners dominate the context, business models tend to be relationship specific and businesses can be engaged in several, possibly contrasting, business models.

The two papers on policy issues that follow discuss the implications of “relational perspective” for economic policy and the principles that inspire contemporary economic policies. A common thread in the two papers is attempting to assess the role of the IMP perspective for economic policy measures. The first in general and the second in particular in the field of public procurement. Both papers focus on discussing in particular in the gaps/misfit between policy makers’ assumptions about the business world and the actual business practices in an interactive business world. The two papers add to the prior studies on policy implications of business network structure published earlier in this journal (e.g. Vol. 10, Issue 2 of the *IMP* journal – “Policy and the understanding business landscape”). Both papers offer a realistic assessment of the potential and hinders for applying network perspective as guidance for economic policy in general and on regulation of public purchasing.

The last two papers in this issue address two managerial topics: buyers’ attitudes and the use of collaborative practices in relation to suppliers in the supply chain, and business perspective on the recent debate on “smart cities”. The first of the two papers, exploring supply chain relationships through qualitative interviews with purchasing professionals, reports a substantial lack of collaborative practices in supply chain among buyers, despite the benefits generally associated to development of close relationships. The second paper is a conceptual one. It starts with a review of the literature on smart cities, finding that the topic of how to manage businesses in smart cities is noticeably absent in the literature. Arguments for the relevance of the issue are brought forward and indications of directions for future research on the topic are offered.

The first paper, “Brokerage-based value creation: the case of a Danish offshore business network,” by Susanne Gretzinger and Birgit Leick, explores different kinds of transfer



mechanisms (which authors call “bonding”, “bridging” and “protecting”) through a case on business network of the Danish offshore windmill industry. The authors describe how the different mechanisms support interactive value co-creation among the involved enterprises that range from large private and public bodies, to a myriad of SMEs. They found that activities related to “bridging”, “bonding” and “protecting” are important for creating value in the business network and key to the development of strategic capabilities among the businesses involved. The study highlights how several actors engage in these activities that sum-up to brokerage and observe that the role of broker can be taken on by different, even minor actors, and not only by large actors in central positions. They find that even less resourceful actors within asymmetrical relations can act as broker and thus compensate for a lack of resources, strengthening their position within the industry network. The authors suggest that brokering initiated by small companies can boost value co-creating processes within industry networks.

The second paper, “How buyer roles and critical times affect buyer-supplier exchange episodes,” by William Newell, zooms into business relationships dynamics by investigating 75 episodes in a case study of a minor retailer and its five suppliers relationships. It examines how buyer-supplier episodes are affected by their dimensions of time and social space, and how these dimensions impact the criticality of an episode for the development of the relationship. The study examines the social space of different roles that the buyer assumes in various episodes and develops the concept of critical time to evaluate the temporal context. The primary data consist of e-mail communications (2,000 e-mails are coded to yield 75 episodes for the analysis) between the buying and selling firms, and of observations from a two-week field study at the retailer’s location. It finds that the criticality of episodes differs depending on the role that the buyer assumes, and whether the episode occurs within a critical time period. Five different patterns of episodes occurring within critical times and across social spaces are identified that characterize each of the buyer-supplier relationships. The author concludes that the social space (role taken) defines the type of criticality, while critical times enhance an episode’s criticality.

In the third paper, “Business models in business networks – how do they emerge?” Antonella La Rocca and Ivan Snehota re-examine and challenge the idea of business model as traditionally conceived. They review the recent research on business models in companies operating in business network and find that most of the studies taking the business network perspective conclude that the concept of business model based on the transactional microeconomic perspective is ill-suited to capture the essential mechanism in creating and extracting value. Several issues have been raised in the recent research to support such a stance. Review of the literature is complemented by a longitudinal case study on the business models’ development of a Swiss company in which the forces shaping its business models over several decades are scrutinized. The authors advance the argument that in contexts where close business relationships emerge: the business models are relationship specific and tend to be different across the key relationships; the involvement of others limits the autonomy of the single business in developing its business model; and the business models are continuously emergent and transient. Implications of the relationship-centric business model for management practice and research are discussed.

The fourth paper, “Two rebelling approaches but only one embraced by policy – on the different policy advices of NIS and IMP,” by Magnus Eklund and Alexandra Waluszewski, aims to shed light on the difference in how IMP and National Innovation Systems (NIS) streams of thought have influenced and were embedded into the Swedish policy context. They start from considering that the IMP approach failed in being accepted, while NIS can be regarded as a relative success. The paper compares the analytical lenses and policy implications of the two theoretical models. The case of Sweden is chosen since it provides an example of a policy context where both approaches have been considered and to some extent used as sources of inspiration for the design of policy measures. The authors conclude that

IMP and its notion of the heterogeneity of resources can provide a much more context grounded analysis than the NIS framework. But, the IMP findings applicable to policy issues would require a deep contextual knowledge of individual companies, industries and national and international settings. Consequently, the authors argue that IMP is “tied to the ground” and radically critical of the atomistic abstractions characterizing the neoclassical market view, and that makes it difficult to adopt by policy makers. NIS, on the other hand, requires contextual knowledge on a more superficial level and can, to large extent, co-exist with neoclassical economics, which makes it easier to adopt for the main actors of economic policy.

The fifth paper, “Public procurement reform in the EU: start of a new era?” by Tim Torvatn and Luitzen de Boer, analyses the newly introduced EU directives against the background of the critique of the earlier public procurement rules. The new measures are found to be a significant step forward in terms of innovation policy but still do not acknowledge fully the potential strategic benefits associated to long-term relationships, in particular for innovation outcomes. The authors, starting from a review of studies criticizing the previous public purchasing directives and relating these to the features characterizing the proposed reform of the public purchasing directives, aim to assess to what extent the proposed changes meet earlier expressed criticisms. The authors found that the reform clearly appear a significant step in the right direction, particularly with respect to public organizations’ possibility to support innovation and development of new products and service development. However, they find that in the new directive the possibility of developing strategic, long-term developmental supplier relationships remains limited.

The purpose of the sixth paper, “Practice or lip service: exploring collaboration perspectives in purchasing,” by Wesley S. Boyce and Ray A. Mundy, is to assess acceptance and adoption of collaboration perspectives among purchasing executives in several US companies. The interest in attitudes in the purchasing function is motivated by the role that purchasing executives play in development of collaborative relationships in supply chains. The authors’ literature review suggests that despite the commonly reported benefits that can be gained in close relationships, collaboration attempts between firms in supply chains have not been as widespread as anticipated. Building on this insight the authors explore, via semi-structured interviews with procurement professionals, the progress the purchasing function has made in achieving collaborative supply chain relationships. They find that collaboration in purchasing has not yet reached the theoretical ideal, largely because the level of trust is not sufficient to support collaborative relationships. The paper offers some insights on purchasing professionals’ attitudes to consider when engaging in supply chain relationships.

The seventh paper, “Smart cities – a literature review and business network approach discussion on the management of organisations,” by Christina Öberg, Gary Graham and Patrick Hennelly, has as a starting point that management of business is an aspect implied in the concept of smart cities. The smart city idea refers to new ways of organizing city functions and urban life, which are believed to move production and consumption from global to local, manufacturing from competitive to collaborative, and business from a shareholder to a multiple-stakeholder point of view. The question that the paper addresses is: how the previous research has captured the management of organizations in smart cities? The authors conducted a literature review searching for term “smart city/cities” in research on business and found that the few studies on the management of organizations as part of the discussion of smart cities, had focused focus on sustainability and how digitalization enables new businesses. They also find that the theoretical framing is rather fragmented even though collaborative efforts are emphasized. Issues related to the organizing of business are not problematized in the extant literature and the authors argue that the business network approach could provide valuable insights related to the collaborative efforts of organizations and the multiple-stakeholder perspective implied in the notion of smart cities.