Guest editorial

Relationships and networks in context: what do we know so far?

Introduction

In the business-to-business marketing environment, relationships invariably emerge, influencing and facilitating ongoing exchange transactions. How a business organisation acts in a relationship with an exchange partner will be conditioned not only by its own actions but also by the actions of its suppliers and customers (Cheung and Turnbull, 1998). In turn, these relationships may be influenced by other supplier to customer and customer to supplier relationships, and the various relationships the firm has with government agencies, financial brokers, industry associations and other service and support organisations. Hence, in seeking to better understand the evolution of these business relationships, our scope, over time, has shifted from examining dyadic buyer-supplier relationships to focus more on understanding the complexity of inter-organisational relationships within networks (Brennan, 2006).

Despite more than three decades of research, while the IMP Network Approach (Hakansson and Snehota, 1995; Hakansson *et al.*, 2009) has gained considerable support, difficulties remain in conceptualising relationships for these are complex and dynamic phenomena. Adding to the complexity of these networks are the institutional and cultural factors that have a direct influence on the network structure (ALHussan *et al.*, 2017). When firms make a strategic decision to go international, they invariably face many internal and external constraints in both the home and host country environment (Ghauri and Cateora, 2014; Keegan and Green, 2016). Furthermore, the business networks within each region/country are unique due to differing sociological, institutional and economic systems. These constraints create significant challenges for the internationalising organisation and hinder their ability to gain a competitive advantage in the host country (ALHussan *et al.*, 2014).

In a similar vein, firms internationalise to enhance their ability to innovate (Pucii *et al.*, 2018). In line with the resource-based theory, organisations have a cluster of tangible and intangible resources (Mintzberg *et al.*, 1999). At the heart of these intangible resources lies the ability of firms to innovate, and hence their desire to internationalise when opportunities are presented. These opportunities such as gaining unique skills, knowledge and competence leading to a competitive advantage that enables firms to internationalise (Saridakis *et al.*, 2019; Bryl, 2020).

Networks and internationalisation

Business relationships can play a pivotal role in the early internationalisation of the firm (Hilmersson and Jansson, 2012; Hohenthal *et al.*, 2014). The network perspective is one of the prominent developments in the internationalisation of firms (Costa *et al.*, 2017). From a network approach perspective, internationalisation is the result of an organisations actions to build relationships by strengthening its network position (Johanson and Vahlne, 1990). Companies create new positions, maintain old positions or intensify coordination between positions in different country-based networks. This supports the argument of Johanson and Mattsson (1988) who view the process of internationalisation as a process of learning through networks. Hence, the ability of the firm to change its network position depends on its learning ability (Sharma and Blomstermo, 2003; Coviello, 2006).

Much of the research on internationalisation stresses the positive effect of internationalisation on firm performance (Assaf *et al.*, 2012; Contractor, 2007). However, the derivation of these benefits may be viewed from two different perspectives. Outward internationalisation motivates firms to take advantage of opportunities, such as selling in foreign markets, forming alliances with foreign businesses and acquiring new technologies (Ireland *et al.*, 2001). The benefits linked to the scale and scope of economies derived from larger volumes of sales and production are made possible through the geographic extension of markets (Kogut, 1985). In contrast, inward internationalisation supports performance by learning about new technologies, management skills and direct investment in foreign countries (Buckley *et al.*, 2002).

Scholars of the internationalization process view networks from three perspectives. For some, the network in the foreign market is the principal focus. Implicitly, various networks are separated and analysed, under the key assumption that networks follow country borders (Johanson and Johanson, 2015). Others consider that the home market network, represented by its structure and characteristics, stimulate internationalisation (Fonfara *et al.*, 2018; Zucchella *et al.*, 2007). The alternative view is that networks do not follow country borders, but cross and overlap the borders (Ratajczak-Mrozek, 2017; Vasilchenko and Morrish, 2011).

Seminal research on internationalisation and network theories were developed and adopt Western context views as these studies were based on multinational corporations from developed-open economies, such as the USA and Europe, and had the ability to expand in different parts of the world (Johanson and Bao, 2010). With the recent changes in international trade, this warns for more research to explore how firms originating from emerging markets expand across borders, manage their network of relationships and use their resources to sustain competitive advantage (Cavusgil *et al.*, 2021; Hohenthal *et al.*, 2014).

Innovation and networks

Business innovation is defined as the creation, development and implementation of new ideas (Garud *et al.*, 2015). The business-to-business marketing and strategic management literature emphasis the significance of innovation to achieve competitive advantage and to meliorate the business. In fact, for a business to succeed it must innovate (Kazadi *et al.*, 2016; ALHussan *et al.*, 2017). Innovation and technology are the

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two main forces driving the formation of business relationships and networks (Johansson and Mattson, 1992).

At the beginning of the twentieth century, three models of innovation emerged: firstly, the *linear and closed model* – an innovation model created within the R&D of multinational enterprises; secondly, *interactive and closed model* – R&D is no longer at the centre of technological innovation, but innovation is created through the interaction of various actors at different stages of the innovation process; and thirdly, *open and interactive model* – builds on open innovation where technological knowledge is sourced for inter-organisational networks. Outer organisations, with different knowledge capabilities, take a lead role in the innovation process (Ambos *et al.*, 2021; Cohendent and Simon, 2017).

The literature strongly supports the idea of why firms should engage in networks that foster innovation. Through networking, organisations access information, the markets and technologies necessary for innovation (Ford, 2002; Tidd *et al.*, 2005; Sarasini, 2015). In addition, innovation acts as a stimulus for companies to collaborate and to be involved in strategic relationships (Fischer and Varga, 2002; Ritter and Gemunden, 2003). Networking also encourages the diffusion of innovations within and across different sectors (Almeida and Kogut, 1997). Although business networks can bring various advantages to the innovation process, it can also impose some disadvantages to innovation activities. For example, collaboration can cause product development to be costly and complex to manage (Hakansson and Snehota, 1995). In a similar vein, there is the risk of losing control over innovation systems or the disclosure of trade secrets (Perks and Jeffery, 2006). The literature also indicates that inter-firm conflict is most often the reason for failure in innovation networks (Luke *et al.*, 2004).

An overview of the papers

This special issue is made up of 12 papers. The papers address two broad themes: networks and internationalisation and innovation in networks.

Hani and Dagnino [this issue] commence the discussion by noting that studies on inter-firm relationships have shifted their attention from the dyad to more globally driven network structures. In this paper, they describe the simultaneous interplay of cooperation and competition in the global arena as global network coopetition (GNC). Under GNC, multinational enterprises act jointly with their global partners/ rivals to improve performance by sharing complementary resources (cooperation) while simultaneously undertaking independent actions to enhance their own performance (competition). Coopetition is widely considered to be one of the key drivers for innovation. The greater the number of links that the focal firm has with supply chain partners, the more resources (including knowledge) are shared, which, in parallel, has a positive impact on innovation. From a longitudinal study of 100 firms across 14 industries, Hani and Dagnino demonstrate that GNC enhances the focal firms' performance and innovation outcomes. Firms embedded in global networks and with contact to a multitude of different actors were found to be more flexible, more resource rich and had greater access to useful information to improve the focal firms' performance.

Building on the resource-based view (RBV) and knowledge-based views (KBV), Chen, Yao, Zao and Carayannis [this issue] explore how coopetition affects radical innovation, and the roles of knowledge structure and external knowledge integration in the relationship between coopetition and radical innovation. Compared to incremental innovation, radical innovation usually involves bigger changes to products and/or technologies which enable firms to gain differential advantages and to improve their competitiveness. At the same time, radical innovation can be high-risk and costly, hence coopetition can help firms realize radical innovation through sharing resources and risk-sharing. Under the RBV, cooperation helps firms integrate similar and complementary resources which provide a resource base for firms to combine and create new knowledge. From the KBV perspective, besides its knowledge base, a firm's ability to acquire, manage and create knowledge directly affects innovation. Using regression analysis, the authors test a proposed model with survey data from 241 Chinese technology firms. This study finds that coopetition positively affects radical innovation, and the effect is fully mediated by external knowledge integration. Hence, firms can realize the value of coopetition through knowledge integration.

Shi, Lu Lu, Zhang and Zhang [this issue] continue to explore how structural network embeddedness influences a firms' incremental innovation capability. Unlike radical innovations, incremental innovation focusses on the continual improvement of existing technologies in terms of design, function and features to meet the needs of existing customers. With much of extant literature revealing that a firms' capacity to innovate is shaped by the firms' social relationships and the innovation networks within which they are embedded, the authors collected a sample of patent data from the smartphone industry over the period from 2000 to 2018. Using ordinary linear squares regression, the authors examined the direct roles of structural network embeddedness on firms' incremental innovation capability and the moderating role of technology clusters. While network reaches, network centrality and cluster size were found to have a significant positive influence on a firms' incremental innovation capability, an inverse U-shaped relationship was found between structural holes and the firm's incremental innovation capability. Structural holes are gaps in information flows between partners linked to the same network but not linked to each other. Not unexpectedly, firms operating within networks rich in structural holes are more likely to perform better because of their superior access to diverse knowledge and technology.

However, structural network embeddedness not only influences a firms' incremental innovation capability but may also influence its flexibility in responding to its cooperators. Flexibility in supply chains arises at both intra-firm and inter-firm levels as supply chain partners adjust the quantities delivered to downstream distributors according to their predictions of demand. Using agent-based modelling, Qian, Yu and Gu [this issue] reveal how network structure has a significant impact on the distribution network of a firm by influencing inventory, satisfaction and trust. The authors find that the implementation of an adaptive flexibility strategy was connected with a higher level of trust and a lower level of inventory, whereas the implementation of a proactive flexibility strategy was associated with a higher level of satisfaction and a higher level of inventory.

In a similar vein, Ojha, Shockley, Rogers, Cooper and Patel [this issue] used structural equation modelling to investigate the relative importance of manufacturers' relational investments with suppliers in both made-to-stock (MTS) and made-to-order (MTO) production environments. Social exchange investments in relationship stability and information quality were found to fully mediate a positive relationship between supply chain integration and supplier flexibility performance for manufacturers. However, the relative importance of each form of investment in enhancing supplier flexibility performance varied based on the manufacturer's order fulfilment environment (MTS versus MTO). The positive impact of information quality and supply chain integration on supplier flexibility increased in the more demanding MTO environments as compared to MTS, while relationship stability was less important in the MTO environment.

It is widely acknowledged that, over time, business relationships generally become more stable. Through the development of explicit and implicit routines, rituals, roles and rules of behaviour, how the parties in the exchange transaction interact may become institutionalised. Institutionalisation is best understood as a dynamic, ongoing process which necessitates active work in the form of overriding industry-specific institutional prescriptions with local codes of conduct. Through a longitudinal case study, Ojansivu and Hermes [this issue] demonstrate how the parties to the exchange not only sought to maintain but also to disrupt their relationship. As a result, the relationship became extremely resilient to any detrimental external or internal influences.

Moving now to the second of our themes, internationalisation, Morrish and Earl [this issue] explore how network relationships and the institutional environment influence the process of internationalization. Using a case study approach for two premium wine producers, their findings demonstrate that both personal and inter-firm networks influence the domestic institutional environment and provide access to critical resources that support internationalization. Inter-firm networks played a significant role in gaining international legitimacy, while personal networks were found to be more important in establishing brand authenticity. Gaining both international legitimacy and establishing brand authenticity were crucial in supporting successful internationalisation for premium wineries.

Lagerström and Lindholm [this issue] explore how small- and medium-sized enterprises (SMEs) in the health-care sector overcame the liability of being an outsider to gain a position in new networks in international markets. Using a multiple case methodology, their study draws on empirical evidence from 13 companies and industry support organisations. With the literature defining internationalisation as an incremental process in which firms gradually adapt and modify their activities to each other, the firms' relationships became important sources of knowledge development, thus providing the means by which firms could enter and establish a position in a new foreign market. Their findings demonstrate that for firms in the health-care sector, the process of internationalisation occurs in three distinctive sequential phases. In the first phase, before entering new markets, the product must be approved, which can be both a lengthy and expensive process. Once the product has been registered, the second phase, which is considerably more challenging than the first, is to gain legitimacy among key actors. The final phase is to encourage health-care providers to purchase and use the product. Each of the different phases requires SMEs to acquire and develop distinctly different types of knowledge and to build network relationships with medical professionals in different roles.

In the resources sector, Schepis [this issue] examines how the activities of innovation intermediaries reduce relational proximity between start-ups and foreign partners to support internationalisation. Close support from intermediaries in the destination market has been shown to be effective in reducing relational proximity, thus making it easier for the parties to communicate effectively and to trust one another. For start-ups, innovation intermediaries, which includes various types of incubators and innovation hubs, often support foreign market entry through facilitating the sharing of knowledge and technology, establishing and mediating collaborative relationships and fostering shared values, trust and risk-taking. From an examination of 11 international innovation intermediaries, through their various activities, innovation intermediaries were found to provide critical bridging ties between otherwise unconnected networks that enabled potential international partners to interact and exchange resources or ideas.

Gretzinger, Anna Marie, Hollensen and Leick [this issue] similarly discuss the role of business incubators for companies seeking to entering foreign markets in the emerging economies. From an empirical case study for a Danish company, international business incubators (IBI) were found to support the company's endeavours in getting a foothold and acquiring a strategic position in the market. In the start phase, the IBI was supportive in speeding up the entry process by defining the market potential, approaching customers and traders and supporting relationship development. In the focus phase, the IBI was helpful in exploring the market opportunities and prioritising growing markets to provide an income stream. While trust-building was a core IBI activity in the focus phase, during the consolidation phase, as the company was more concerned with making existing relationships more exclusive and protecting their investments from the competition, the activity of protecting was provided, in part, by the IBI.

While relational capital and relationship specific investments (RSIs) are widely acknowledged as key success factors in international business relationships, Miocevic [this issue] builds a conceptual model to explore the boundary conditions (historical ties and relational capabilities) upon which relational drivers enhance or diminish relationship value in import-export relationships. From a survey of 114 industrial exporters in Croatia, the findings show that in the case of strong historical ties between importers and exporters, relational capital had an inverted U-shape association with relationship value, whereas, in the case of weak historical ties, this relationship was linear. Furthermore, an importer's RSI led to the highest relationship value when an exporter reciprocated and adapted their business model to meet the needs of the importer. Miocevic concludes that to derive maximum value from key import-export relationships, partners should not overemphasis relational capital because it may backfire on the overall relationship value, especially when exchange partners come from historically proximate countries.

In the final paper, Bondeli, Havenvid and Solli-Sæther [this issue] explore corrupt exchange as a type of socio-economic interaction in private-public relationships. Based on a case study of a private-public network of an import firm in Russia, the study reveals how different types of corrupt exchange between firm managers, officials and intermediaries serve as problem-solving tools that facilitate the flow of materials through bureaucratic gates. Corrupt exchange was seen as being different from other business exchanges in that it could not be initiated without preceding and ongoing social exchange as the only means for officials to guard against betrayal. Similarly, being inaccessible without social capital in the form of accumulated social obligations, social capital was viewed as a resource that, when mobilised in a business network, provided access to a multitude of other resources.

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